

1 IN THE COUNTY OF WASHINGTON

2
3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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7
8 OCTOBER 21, 2004

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10
11 APPEARANCES:

12 BILL HARRIS - PUBLIC MEMBER AND SUBSTITUTE CHAIRMAN

DONALD RATLIFF - COAL REPRESENTATIVE

13 PEGGY BARBAR - PUBLIC MEMBER

14 JIM MCINTRYE - CITIZEN APPOINTEE

15
16 BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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22	***Attached copy of the docket			
23				
24				
25				

1 BILL HARRIS: Good morning. I'm Bill Harris. I'll
2 be chairing today's meeting. Mr. Wampler is...I'd hate to
3 say stranded, but he is in Atlanta, I understand and the fog
4 is preventing his getting in in time for the meeting. So,
5 I'll be chairing the meeting today. As I said earlier, I'm
6 Bill Harris. I'm a public member from Wise County, again
7 representing the public. And I'd like for the other Board
8 members to introduce themselves starting to my left.

9 PEGGY BARBAR: Good morning. I'm Peggy Barbar from
10 Richlands, Virginia, a public member.

11 DONALD RATLIFF: I'm Donnie Ratliff from Wise
12 County. I'm a coal industry representative.

13 JIM MCINTYRE: Jim McIntyre from Wise, Virginia.
14 I'm a citizen appointee.

15 BOB WILSON: I'm Bob Wilson. I'm the Director of
16 the Division of Gas and Oil and Principal Executive to the
17 Staff of the Board.

18 BILL HARRIS: Thank you. The first item on the
19 agenda today is the Board will receive a quarterly report on
20 the Board's escrow account as administered by Wachovia Bank,
21 escrow agent for the Virginia Gas and Oil Board. That item
22 was handed out to you prior to the meeting. If you want to
23 take a minute to look at that. Bob, did you have any
24

1 comments on it?

2 BOB WILSON: Yes, sir. I'll just run through it
3 very briefly for the record. We had a beginning quarterly
4 balance of \$9,168,865.77 during the quarter, which ended
5 September the 30th by the way. We received deposits totaling
6 \$645,229.74, and earned interest in the amount of \$26,051.97.
7 Disbursements during that period of time totaled \$4,694.75.
8 And the twice yearly debit of the account for bank charges
9 and expenses, which total \$30,000 by contract, were deducted
10 in August leaving an ending balance for the quarter of
11 \$9,805,852.73. That is an increase for the quarter, a net
12 increase of \$636,986.96. The interest rates that we're
13 getting at this particular time have turned around
14 significantly considering how low they were. We're up to
15 1.35% now, which on this size of an account is significant
16 because that does significantly exceed the costs of expenses
17 for the account.

18 Also, very briefly in other matters for the record,
19 we are in process of renegotiating service level agreement
20 with the bank relative to what they're providing to us, and
21 their handling of IRS matters for the Board, mainly supplying
22 1099 forms for people who receive disbursements. We probably
23 will end up paying a small fee for that service, which the

24

--

1 IRS has pretty much determined is something the Board has to
2 supply. The Board will probably...the bank will probably be
3 doing that for us. That's all I have on that.

4 BILL HARRIS: Any questions or discussion from the
5 Board members?

6 (No audible response.)

7 BILL HARRIS: I guess I was initially concerned a
8 little about the interest of the total so far and it looked
9 like the fees exceeded that. But if you look at the monthly
10 amount, I think we'll be okay there. Thank you. Do we need
11 to entertain a motion to receive this? I'm not sure if we
12 need to.

13 BOB WILSON: No, sir, I don't think so.

14 BILL HARRIS: Okay, thank you. Thank you for
15 providing it. Okay. We'll move on to the next item. The
16 next item is a petition from CNX Gas Company, LLC for pooling
17 of coalbed methane, Unit B-20, South Grundy District,
18 Buchanan County, Virginia, docket number VGOB-04-1019-1342.
19 Would all parties pertaining to that petition please come
20 forward?

21 MARK SWARTZ: Mark Swartz and Les Arrington.

22 BILL HARRIS: Anyone else?

23 (No audible response.)

24

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1 BILL HARRIS: Let the record show there's no
2 others. You may proceed.

3 MARK SWARTZ: Mr. Chairman, we have two Oakwood
4 units, items two and three on the docket today. I think
5 there are some people here on C-29, but I thought maybe we
6 could combine them at least for some of the general testimony
7 and save a little bit of time, if that makes sense to the
8 Board.

9 BILL HARRIS: Let me call that also. This is item
10 three on your docket. This is also a petition from CNX Gas
11 Company, LLC for pooling of coalbed methane Unit C-29, Garden
12 District, Buchanan County, Virginia, docket number VGOB-04-
13 1019-1343. Would parties interested in speaking to that
14 petition please---?

15 MARK SWARTZ: Mark Swartz and Les Arrington on that
16 as well.

17 BILL HARRIS: Fine, thank you.

18 CLYDE HORNE: Yes, Clyde Horne.

19 BILL HARRIS: Horne?

20 CLYDE HORNE: Right.

21 BILL HARRIS: I guess we need to get everyone sworn
22 in.

23 (Witnesses are duly sworn.)

24

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1

2

LESLIE K. ARRINGTON

3 having been duly sworn, was examined and testified as
4 follows:

5

DIRECT EXAMINATION

6 QUESTIONS BY MR. SWARTZ:

7

Q. Les, you need to state your name for us,

8

please.

9

A. Leslie K. Arrington.

10

Q. Who do you work for?

11

A. CNX Gas Company, LLC.

12

Q. And what do you do for them?

13

A. Manager of environmental and permitting.

14

Q. Okay. These two units that we're talking

15 about right now, both of them are Oakwood I units, is that

16

correct?

17

A. Yes.

18

Q. And they both contain 80 acres?

19

A. Yes.

20

Q. And the proposed development plan would be

21

to drill one frac well in each unit?

22

A. Yes, it is.

23

Q. And in both of these units, is that one well

24

--

1 located in the drilling window?

2 A. Yes, it is.

3 Q. Who is the applicant?

4 A. CNX Gas.

5 Q. And who is CNX Gas or who is the applicant

6 requesting be appointed designated operator if the units are

7 pooled?

8 A. CNX Gas.

9 Q. Okay. What did you do to give people, the

10 respondents in these two matters, notice that there would be

11 a hearing today?

12 A. We mailed by certified mail, return receipt

13 requested, for well B-20 on September the 17th, 2004; and C-

14 29 on September the 20th, 2004. We published for B-20 in the

15 Bluefield Daily Telegraph on September the 23rd of 2004 and

16 C-29 on September the 24th, 2004.

17 Q. When you published what was published?

18 A. The notice of hearing and an attached

19 location map.

20 Q. Okay. Have you filed proofs of publication

21 and your documentation with regard to mailing with Mr.

22 Wilson?

23 A. Yes, we have.

24

1 Q. And that's true on both units?

2 A. Yes.

3 Q. Do you want to add any people to either of

4 these units today?

5 A. No.

6 Q. Do you want to dismiss any respondents

7 today?

8 A. No.

9 Q. Okay. Is CNX Gas Company, LLC a Virginia

10 General Partnership?

11 A. Yes, it is.

12 Q. Is it a wholly owned indirect subsidiary of

13 Consol Energy, Inc.?

14 A. Yes, it is.

15 Q. And is CNX authorized to do business in the

16 Commonwealth?

17 A. Yes, it is.

18 Q. Has it registered with the Department of

19 Mines, Minerals and Energy and does it have a blanket bond on

20 file?

21 A. Yes, it does.

22 Q. Okay. What lease terms have you offered to

23 the people that you have been able to lease in these two

24

1 units?

2 A. Our standard coalbed methane lease is a
3 dollar per acre per year with a five year paid up term and a
4 one-eighth production royalty.

5 Q. And to the extent that there are a few
6 people that are not leased in these two units, are
7 you...would you be prepared and willing to offer
8 those...those terms to those folks?

9 A. Yes.

10 Q. And in the event that these units are pooled
11 and a pooling order is entered, would you request that the
12 Board utilize those terms in the deem to have been leased
13 provision in the order?

14 A. Yes, we would.

15 Q. Turning specifically to Unit B-20, would you
16 tell the Board what you've been able to lease or obtain in
17 terms of interest and what it is you're seeking to pool?

18 A. We've leased 98.6434% of the coal, oil and
19 gas owners' claim to coalbed methane. We're seeking to pool
20 1.3566% of the coal, oil and gas interest.

21 Q. And this well....it looks like it has been
22 drilled?

23 A. Yes, it has.

24

--

1 Q. Does it have a permit number?
2 A. 6347.
3 Q. And the depth?
4 A. 1835 feet.
5 Q. And what is the combination of actual and/or
6 estimated costs with regard to this well?
7 A. \$214,904.45.
8 Q. Okay. When was this well drilled?
9 A. September the 13th, 2004.
10 Q. So pretty recently?
11 A. Yes.
12 Q. It looks like the actual costs really have
13 not caught up yet with you?
14 A. That's correct.
15 Q. Okay. So all the costs are estimated with
16 regard to this well?
17 A. Yes.
18 Q. Okay. It looks, from a review of Exhibit B-
19 3 and the other exhibits tendered with regard to Oakwood Unit
20 B-20, that there are no requirements for escrow, is that
21 correct?
22 A. That is correct.
23 Q. Turning to C-29, okay, would you tell the
24

1 Board what interest you've been...the operator has been and
2 the applicant have been able to acquire and what interests
3 are outstanding and need to be pooled?

4 A. We have leased 99.015% of the coal owners'
5 claim to coalbed methane; 100% of the oil and gas owners'
6 claim to coalbed methane. We're seeking to pool 0.9843% of
7 the coal owners' claim to coalbed methane.

8 Q. And is this well drilled?

9 A. Yes, it is.

10 Q. What's the permit number?

11 A. 6108. It was drilled on June the 23rd of
12 2004 to a cost of \$203,964.84 to a depth of 2,043.93 feet.

13 Q. Take a look at the Exhibit C here. I'm
14 getting a different number for the well costs.

15 A. Okay. Okay, yes, \$210,127.17.

16 Q. Okay. And that's the total on the Exhibit C
17 that---?

18 A. Uh-huh.

19 Q. ---that was submitted with the application,
20 is that correct?

21 A. That's correct.

22 Q. And a number of the items, in fact the
23 majority...it looks like the majority of the dollars
24

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1 associated with this well are actual as opposed to estimated?

2 A. That's correct.

3 Q. And you can tell the actual cost entries
4 because they're in bold?

5 A. Yes.

6 Q. And the other ones are estimates?

7 A. That's correct.

8 Q. Okay. With regard to this unit,
9 specifically C-29, it appears to me that there is an escrow
10 requirement, is that correct?

11 A. Yes.

12 Q. And you've submitted an Exhibit E that sets
13 forth the escrow, the reasons for escrow, and tracts and
14 people that funds need to be escrowed?

15 A. We have.

16 Q. Okay. And the tracts affected that sub
17 accounts need to be opened for would be Tract No. 4 and Tract
18 No. 5, is that correct?

19 A. That's correct.

20 Q. With regard to these two units, is it your
21 opinion that the plan to develop the coalbed methane
22 resources within and under these two units, which
23 specifically would be to drill one well in the drilling
24

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1 window and produce in these units, is a reasonable plan to
2 develop the methane?

3 A. Yes, it is.

4 Q. And is it...do you have an opinion that if
5 the...if you take the leases that you've been able to obtain
6 and you combine that with a pooling order pooling the
7 outstanding interest, that those two events would protect the
8 correlative rights of all owners and claimants in both of
9 these units?

10 A. Yes, it would.

11 MARK SWARTZ: That's all I have, Mr. Chairman.

12 BILL HARRIS: Okay, thank you. Any questions from
13 the Board members?

14 DONALD RATLIFF: Mr. Chairman?

15 BILL HARRIS: Yes.

16 DONALD RATLIFF: Les, looking at the plat, it looks
17 like---.

18 BILL HARRIS: Now which...is this C-20 or C-29?

19 DONALD RATLIFF: It's 29.

20 BILL HARRIS: 29.

21 DONALD RATLIFF: Looking at the plat, on Tract 4
22 and 5, that triangle there is that...is that what's in
23 question?

24

--

1 LESLIE K. ARRINGTON: Yeah, Tract 4 and 5, yes.

2 BILL HARRIS: Did you have something else? We
3 might want to go ahead and ask a question.

4 DONALD RATLIFF: No, go ahead.

5 BILL HARRIS: Mr. Horne, I think you wanted to
6 speak too.

7 CLYDE HORNE: Yes. One of the---.

8 BOB WILSON: Mr. Chairman,---.

9 BILL HARRIS: Yes.

10 BOB WILSON: ---before you go to Mr. Horne---.

11 BILL HARRIS: Yes.

12 BOB WILSON: ---let me say something for the
13 record, please. Mr. Horne sent a letter in to me for the
14 Board that somehow I did not get in the file, which I was
15 going to put it in the record this morning. I've asked Mr.
16 Horne to read it. He has a copy of his original letter there
17 to read into it.

18 BILL HARRIS: Uh-huh, yes.

19 BOB WILSON: I apologize for not getting that thing
20 here and copied and to everybody else. Somehow or other I
21 didn't get it in my file. If you would...if you wish to go
22 ahead and read that letter---.

23 CLYDE HORNE: All right. This...this is mostly the
24

1 extent of the letter that I submitted to Mr. Wilson. "With
2 reference being made to docket number VGOB-04-1019-1343, Unit
3 No. C-29. I, Clyde Lyndell Horne, am sole owner of part of
4 tract being sought to be pooled and part owner of or 25% of
5 the other tract .85 acres also being sought. I have not
6 given, released or signed a consent to stimulate of said well
7 or Unit 29, nor has there been a reasonable effort made by
8 CNX to resolve this issue. I also believe that I am entitled
9 to all gas and mineral rights of the property I solely own
10 and part owner of the .85 acre tract, which I believe contain
11 minerals and gas and oil rights. Also as a property owner, I
12 was not notified of a well being drilled within 750 feet or
13 less of my home. I am also asking for the granting of such
14 other relief as is merited by the evidence and is just and
15 equitable whether or not such relief has been specifically
16 requested herein."

17 And the reason I'm objecting to the stimulation is
18 because I own the coal and gas in simple fee. They have not
19 made me a reasonable offer. And I'm just not a charitable
20 person, I guess, which I assume CNX isn't either. The well
21 is already drilled. They chose to ignore us as owners. The
22 safety issues...I don't know what affect, nor do they, it
23 will have on the safety and well being of my family. Well, I
24

1 have no right to do any ground disturbance or shaking of the
2 foundation of our property, which there's a brick house
3 located on the property also, you know, which I've heard
4 there's tremors. In this paper here, they talk about houses
5 catching afire. So, I don't know about the accumulation of
6 the methane either one way or the other. But that's my
7 objection to the stimulation of the well and the fracing of
8 the coal.

9 BOB WILSON: Mr. Chairman?

10 BILL HARRIS: Yes.

11 BOB WILSON: Let me address part of that as well.
12 Mr. Horne came to the Division of Gas and Oil and informed us
13 that he should have been notified as part of the original
14 permit application for this well. Now, he has raised a
15 couple of issues relative to notice of permit and consent to
16 stimulate. Both of these are permitting issues, of course,
17 and are not really what the Board is going to be looking at
18 today.

19 What we did in that situation was we put a stay on
20 that permit and required that the operator submit a
21 modification to notify Mr. Horne whom, and they can explain
22 more than I, they had overlooked or missed somehow or other
23 during the process of permitting. That permit is on hold now

24

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1 waiting for all the necessities attendant to a new found
2 owner. Again, I think that's not an issue for the Board.
3 That is a permitting issue. However, he is correct in that
4 initially he did not receive notice of the permit
5 application.

6 BILL HARRIS: Thank you. Is there any sort of, Mr.
7 Swartz, response?

8 MARK SWARTZ: Other than when it was brought to our
9 attention that the title people had missed this interest, we
10 filed a pooling application to solve that problem in front of
11 you all. I mean, we have some other issues we're going to
12 have to deal with Mr. Wilson on the permitting side. But,
13 you know, the...well, I'll just ask Les. I mean, what...did
14 the title folks miss this interest---?

15 LESLIE K. ARRINGTON: Yes. It initially---.

16 MARK SWARTZ: ---in the permitting process?

17 LESLIE K. ARRINGTON: Yes. It initially appeared
18 to us that that was a one acre surface tract and we proceeded
19 because once it was a surface tract we wasn't really
20 concerned since we were not disturbing the surface on that
21 tract and we were somewhere in the neighborhood of 400 feet
22 or 500 feet away from the tract on surface wise. And then
23 when it did come to our attention we have...we have begun to
24

--

1 work towards solving the situation. I think one of our land
2 agents ,Dan Keen, has been in contact with Mr. Horne. I
3 believe. To my knowledge, he has been. I think there has
4 been a lease offered and some negotiations toward even a
5 possible purchase, but I think Mr. Horne indicated that he
6 wasn't even interested in purchasing...a buyout.

7 MARK SWARTZ: So the reason we're here is
8 this...what we thought was a surface interest turned out to
9 not be a surface interest. We've been unable to lease the
10 interest. So we need to pool it. So that's why we're here
11 today.

12 LESLIE K. ARRINGTON: Right. Initially, it was
13 believed that the major portion of the entire Tract 4 and 5
14 was a fee tract. It turns out that tract, I believe it's
15 Tract 4...I have to look to be sure.

16 (Leslie K. Arrington reviews his file.)

17 LESLIE K. ARRINGTON: Tract 4...yes, Tract 4, I
18 believe, Tract 4 is the one...yeah, Tract 4. We initially
19 thought that that could also be a fee tract. And it turns
20 out that the group, the Horne and others, only have the coal
21 in that tract. Our lessor has the oil and gas interest in
22 that tract. And then Mr. Horne in Tract 5 owns that tract in
23 fee.

24

--

1 MARK SWARTZ: Okay.

2 (Leslie K. Arrington confers with Anita Duty.)

3 BILL HARRIS: Okay, thank you. Other Board members

4 or comments?

5 (No audible response.)

6 BILL HARRIS: Yes?

7 CLYDE HORNE: Well, I feel that we own the oil and

8 the gas in simple fee on all of it, you know, and not just

9 the coal. But I feel we own the gas also in the deeds.

10 There's five deeds on this...on the severance deeds. And Mr.

11 Keen, as he said, made me an offer, that he made an offer

12 that was unreasonable. He wanted to buy the whole acre of

13 coal. He didn't say anything about gas. He wanted to buy

14 everything, the whole acre. The offer he made was

15 unreasonable.

16 BILL HARRIS: Well, we can't determine what's

17 reasonable and not reasonable.

18 CLYDE HORNE: All right. Well, I just wanted to

19 state that.

20 BILL HARRIS: Also, we can't determine ownership.

21 CLYDE HORNE: Okay.

22 BILL HARRIS: That's usually left up to the Courts.

23 And that's one of the reasons why we do have pooling

24

1 is...and if you look at the percentage, we're talking what
2 99%, I think, of folks who have leased or agreed to move
3 forward with this.

4 CLYDE HORNE: Yeah.

5 BILL HARRIS: So, what...what the Board does in
6 pooling is if it's...if it's approved, it does allow for...
7 pending the permit and getting that taken of, but it does
8 allow the company to go forward and escrow, if necessary, the
9 money that's---.

10 CLYDE HORNE: Uh-huh. Well, most of my objection
11 was to...was to the---.

12 BILL HARRIS: ---a percentage with the...you know,
13 with the conflicting claim up there.

14 CLYDE HORNE: ---fracing of the coal anyway. I
15 don't know what damage it's going to do anyhow. But---.

16 BILL HARRIS: Well, can someone speak to that. I
17 mean, I know that...you know, I don't know if anyone goes
18 underground and looks. I'm sure that at some time someone
19 has done that. But now when you say what...what damage it's
20 going to do, you're just saying in general you don't know
21 what happens there?

22 CLYDE HORNE: Well, it's my...it's my opinion they
23 don't own the coal. Why should they have the right to...to

24

--

1 frac it?

2 LESLIE K. ARRINGTON: Well, again, you know,
3 that...to begin with, we did have a title error there. When
4 we permitted the well and proceeded on, we did not believe
5 that there was a coal interest out there. That was a
6 mistake. However, we do in our Buchanan Mine mine through
7 the fracs consistently, every time we get up to one, we mine
8 through those fracs. So does it infringe mining?...no, it
9 doesn't. We haven't had a problem with it yet.

10 BILL HARRIS: Are you concerned about coal reserves
11 that you own that are being damaged or---?

12 CLYDE HORNE: All I'm saying is...all I'm saying is
13 I own the coal. They don't...unless they make me a
14 reasonable offer, I don't think they have the right to frac
15 that block of coal.

16 BILL HARRIS: Well, I'm not sure how we
17 can...what's the distance then?

18 BOB WILSON: 750 feet. And, again, this
19 is...excuse me, this is a permitting issue. The applicant
20 was sent a letter stating that that permit had a stay placed
21 on it. That stay will remain on it until such time as this
22 issue is resolved. And I don't think it impinges on this at
23 all. It's strictly a permitting issue.

24

--

1 BILL HARRIS: Does that affect percentages though
2 now that we have...so that will have no bearing on what
3 percentages we have in front of us?

4 MARK SWARTZ: You have in front of you their
5 correct interest. So if the well produces in the future,
6 you've got the right number. But we're going to have to deal
7 with...you know, with Mr. Wilson.

8 BILL HARRIS: Okay. Good. Thank you.

9 MARK SWARTZ: But we're going to have to deal
10 with...you know, with Mr. Wilson.

11 BILL HARRIS: Yeah, it seems to be...well, yeah.
12 Yeah. Okay, so what it appears is that...that is a permit
13 issue that would be taken up in a different forum. And I
14 think you were correct in going to the Division office with a
15 letter and then you probably need to handle it from that
16 standpoint then the Board, because we really don't have
17 jurisdiction over that.

18 CLYDE HORNE: Okay. Thank you, sir.

19 BILL HARRIS: Thank you. Any other comments from
20 the presenters?

21 (No audible response.)

22 BILL HARRIS: Okay, Board members is there
23 questions...other questions or---?

24

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1 (No audible response.)

2 BILL HARRIS: Do I hear any type motion with regard

3 to this---?

4 DONALD RATLIFF: I move that we approve.

5 PEGGY BARBAR: I second.

6 BILL HARRIS: Okay, it's been moved and seconded

7 that we approve the pooling application. Now, is that... we

8 need to be specific. There were two in front of us, C-29 and

9 C-20---?

10 DONALD RATLIFF: Both...both.

11 BILL HARRIS: Both, okay. Any further discussion?

12 (No audible response.)

13 BILL HARRIS: All in favor, say aye.

14 (All members signify by saying aye.)

15 BILL HARRIS: Opposed, like sign.

16 (No audible response.)

17 BILL HARRIS: Fine. Thank you. Thank you.

18 CLYDE HORNE: Thank you, sir.

19 BILL HARRIS: Our next item on the agenda is a

20 petition from CNX Gas Company, LLC for pooling of coalbed

21 methane unit BD-100, Hurricane District, Buchanan County,

22 Virginia, docket number VGOB-04-1019-1344. We'd ask that all

23 parties who wish to speak to this matter please come forward.

24

1 MARK SWARTZ: Mark Swartz and Les Arrington. Les
2 just wanted to visit with Mr. Horne for one second. I'm sure
3 he'll be right back in---.

4 BILL HARRIS: Yes, okay.

5 MARK SWARTZ: ---and if he's not, I'll grab him.
6 While we're waiting for him, I would like to incorporate the
7 testimony from the prior hearing with regard to the
8 applicants corporate form and with regard to their
9 registration issues and so forth and with regard to lease
10 terms, if I could do that into this---.

11 BILL HARRIS: Yes, that will be incorporated.

12 MARK SWARTZ: Anita, tell Les he needs get back in
13 here.

14 BILL HARRIS: Well, we don't want to rush because
15 we do encourage that if you are willing to go and talk, you
16 know, we'll certainly give you a few minutes.

17 MARK SWARTZ: I'm sure we'll have another chance to
18 speak to him.

19

20 LESLIE K. ARRINGTON
21 having been duly sworn, was examined and testified as
22 follows:

23 DIRECT EXAMINATION

24

--

1 QUESTIONS BY MR. SWARTZ:

2 Q. You need to state your name again for us.

3 A. Leslie K. Arrington.

4 Q. The unit we're addressing is BD-100. Do you
5 have that in mind?

6 A. Yes.

7 Q. Okay. Is this a Nora unit?

8 A. Yes, it is.

9 Q. How many acres?

10 A. 58.79.

11 Q. How many wells?

12 A. One.

13 Q. Is it within the drilling window or just
14 outside of it?

15 A. It's just outside of it.

16 Q. Okay, did you get a...did you deal with Mr.
17 Wilson's office in that regard?

18 A. Yes, we did.

19 Q. Okay. And the well that's proposed here, is
20 that a frac well?

21 A. Yes, it is.

22 Q. Who's the applicant?

23 A. CNX Gas Company.

24

--

1 Q. And who are you requesting be the designated
2 operator if the application is approved?

3 A. CNX Gas.

4 Q. Okay. What did you do to notify the folks
5 listed on the notice of hearing and on Exhibit B-3 that there
6 would be a hearing today?

7 A. Yes. We mailed by certified mail, return
8 receipt requested on September the 17th, 2004. Published in
9 the Bluefield Daily Telegraph on October the 2nd, 2004.

10 Q. And when you published, what did you
11 publish?

12 A. The attached notice of hearing and a
13 location map.

14 Q. Okay. And have you filed proofs of
15 publication from the newspaper and your materials with regard
16 to mailing with Mr. Wilson?

17 A. Yes, we have.

18 Q. Okay. Do you wish to add any respondents
19 today?

20 A. No.

21 Q. Do you wish to dismiss any?

22 A. No.

23 Q. If you would turn to Exhibit A, page two,
24

1 and tell the Board what...what interests you've been able to
2 acquire and what it is you need to pool?

3 A. We have 100% of the coal owners' claim to
4 coalbed methane leased. We have 96.8113% of the oil and gas
5 owners' claim to coalbed methane leased. We're seeking to
6 pool 3.1877...1887% of the oil and gas owners' claim.

7 Q. Okay. Is this well drilled?

8 A. Yes...no, I'm sorry.

9 Q. Okay. What's the permit number though?

10 A. 6312.

11 Q. The estimated depth?

12 A. 2,454 feet.

13 Q. And what's the estimated cost?

14 A. \$230,570...507.86.

15 Q. Okay. From reviewing the exhibits, it
16 appears to me that there are some escrow issue or some issues
17 requiring escrow, is that correct?

18 A. That's correct.

19 Q. You filed an Exhibit E?

20 A. We have.

21 Q. And it looks from Exhibit E that there is an
22 escrow requirement because of conflicts for Tracts 1E, 1F,
23 1G, 1H, 1I, 1J and 1K, is that correct?

24

--

1 A. That's correct.

2 Q. And then there's a title issue which would
3 require escrow in Tract 1K in addition?

4 A. I believe---.

5 Q. Let me show you.

6 A. Is there more than just...?

7 Q. I think that's the only one. What have you
8 got?

9 A. F and...

10 Q. I don't see it.

11 A. Okay.

12 Q. Let me look it up.

13 A. So, only 1K.

14 Q. 1K has a title issue?

15 A. Yes.

16 Q. And then there are folks with unknown
17 addresses, correct?

18 A. Yes.

19 Q. Which is also an escrow issue and that would
20 be Tracts 1F, 1I and 1K, correct?

21 A. Right.

22 Q. Okay.

23 A. That's...that's correct.

24

1 Q. And then have you filed an Exhibit EE?
2 A. Yes, we have.
3 Q. And on that exhibit, have you listed the
4 folks that have entered into royalty split agreements?
5 A. Yes, we have.
6 Q. And with regard to those people in
7 tracts...and their interest in tracts that you've identified
8 in Exhibit EE, are you requesting that the Board authorize
9 the operator to pay those people directly and not establish
10 an escrow account for them?
11 A. That's correct.
12 Q. With regard to this application for this
13 Nora unit and the one frac well, is it your opinion that the
14 development plan as disclosed by the exhibits and the
15 application is a reasonable plan to develop the coalbed
16 methane under this unit?
17 A. Yes, it is.
18 Q. And if you couple the leasing program that
19 you have undertaken, which has been, you know, obviously
20 quite successful, and you combine that with a pooling order,
21 is it your opinion that all of the...that the correlative
22 rights of all of the owners and claimants will be protected?
23 A. It will, yes.
24

1 MARK SWARTZ: That's all I have.

2 BILL HARRIS: Thank you. Board members any

3 questions?

4 DONALD RATLIFF: Mr. Chairman.

5 BILL HARRIS: Mr. Ratliff.

6 DONALD RATLIFF: Why are we drilling outside of the

7 drilling window again? Terrain?

8 LESLIE K. ARRINGTON: Terrain...I'm pretty sure

9 it's the terrain. I'd just have to look at the file.

10 MARK SWARTZ: It's usually a question that Mr.

11 Wilson asks, but, you know, we may have slipped one by him.

12 So let us look here.

13 LESLIE K. ARRINGTON: It was terrain. It was

14 terrain. That well is actually right along a crest of a

15 ridge. And then from the crest of the ridge, if you'll

16 notice where our roads are coming down that ridge, then it's

17 very steep terrain down to the valley. The valley there is

18 very narrow.

19 DONALD RATLIFF: No other questions.

20 BILL HARRIS: Any further questions?

21 (No audible response.)

22 BILL HARRIS: I notice there are a lot folks that

23 have addresses unknown. Is there an attempt still to reach

24

1 those folks?

2 LESLIE K. ARRINGTON: Absolutely there is. We are
3 continuing to do...do those everyday.

4 BILL HARRIS: I notice several of the same family
5 name. Is that normally what happens? I mean, this is...I
6 know that---?

7 LESLIE K. ARRINGTON: Well, when you generally
8 can't locate one of them, it's tough to---.

9 BILL HARRIS: Yeah.

10 LESLIE K. ARRINGTON: ---locate any of them.

11 BILL HARRIS: Because that's how you find the
12 others is one person.

13 LESLIE K. ARRINGTON: When you find one.

14 BILL HARRIS: Yeah, thank you. Any further
15 questions?

16 (No audible response.)

17 BILL HARRIS: Do we have a motion on the proposal?

18 DONALD RATLIFF: So moved.

19 JIM McINTYRE: Motion to approve.

20 DONALD RATLIFF: Second.

21 BILL HARRIS: Second, okay. Fine, thank you. Any
22 other further discussion?

23 (No audible response.)

24

1 BILL HARRIS: All in favor of the motion say aye.
2 (All members signify by saying aye.)
3 BILL HARRIS: Opposed, like sign.
4 (No audible response.)
5 BILL HARRIS: Fine, thank you. It's approved then.
6 The next item is a petition from CNX Gas Company, LLC for
7 pooling of coalbane...coalbed methane unit BE-118, New Garden
8 District, Russell County, Virginia, docket number VGOB-04-
9 1019-1345. We'd ask all parties who wish to speak in...to
10 this petition to come forward.
11 MARK SWARTZ: Mark Swartz and Les Arrington.
12 BILL HARRIS: Fine, thank you. Any others?
13 (No one comes forward.)
14 BILL HARRIS: Let the record show there are no
15 others.
16 MARK SWARTZ: Mr. Chairman---.
17 BILL HARRIS: You may proceed.
18 MARK SWARTZ: ---this is a Middle Ridge unit. And
19 if you look at the chart that Les or Anita gave you, there
20 are actually four Middle Ridge units on the docket. They're
21 in order. They're item five, which you just called, six,
22 seven and eight. I'd request that you go ahead and, if it
23 works for you, and call six, seven and eight.

24

--

1 BILL HARRIS: Okay. We'll go ahead and do that.
2 In addition to this item five, we also have a petition from
3 CNX for pooling of coalbed methane unit BE-119, New Garden
4 District, Russell County, Virginia. That docket number VGOB-
5 04-1019-1346. Also, docket number...I'm sorry, pooling of
6 coalbed methane unit BF-117, New Garden District, Russell
7 County, docket number VGOB-04-1019-1347. And also, a similar
8 petition, pooling of coalbed methane unit BF-118...118, New
9 Garden District, Russell County, Virginia, docket number
10 VGOB-04-1019-1348. We'd ask all parties who want to speak to
11 those petitions to please come forward.

12 MARK SWARTZ: Mark Swartz and Les Arrington.

13 BILL HARRIS: Thank you. Others?

14 (No one comes forward.)

15 BILL HARRIS: Fine. Let the record show there are
16 no others. Okay, you may proceed.

17 MARK SWARTZ: Mr. Chairman, I would like to, if I
18 could, incorporate Mr. Arrington's testimony with regard to
19 CNX as an entity and with regard to its admission to do
20 business and so forth and with regard to lease terms from the
21 first matter he testified to today into this combined
22 hearing.

23 BILL HARRIS: That will be incorporated.

24

--

1

2

3

LESLIE K. ARRINGTON

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. ARRINGTON:

6

Q. You need to state your name for us?

7

A. Leslie K. Arrington.

8

Q. Who do you work for?

9

A. CNX Gas.

10

Q. Did you prepare, or cause to be prepared,

11 the four notices of hearing and applications that we're

12 dealing with now?

13

A. Yes, I did.

14

Q. Okay. Are all four of these Middle Ridge I

15 units?

16

A. Yes.

17

Q. Do all four of them contain 58.74 acres?

18

A. Yes, they do.

19

Q. And in each instance, is there one well

20 proposed?

21

A. Yes, it is.

22

Q. Is it a frac well?

23

A. Yes.

24

--

1 Q. And is it located in the drilling window?
2 A. Yes, they are.
3 Q. Okay. The...have you listed all of the
4 respondents that you're seeking to pool in the notices of
5 hearing and in the Exhibit B-3 to the application?
6 A. Yes, I have.
7 Q. Okay. Do you wish to add any respondents
8 with regard to any of these four applications today?
9 A. No.
10 Q. Do you wish to dismiss any?
11 A. No.
12 Q. With regard...starting with BE-118,
13 what...what did you do to notify people of the hearing today?
14 A. Yes, all...all of the units were mailed by
15 certified mail, return receipt requested on September the
16 17th of 2004.
17 Q. Okay. And then with regard to publication,
18 tell us what you've done?
19 A. Yes, for BE-118 it was published in the
20 Bluefield Daily Telegraph on September the 30th, 2004. BE-
21 119 was published in the Bluefield Daily Telegraph September
22 29, 2004; BF-117 the Bluefield Daily Telegraph on September
23 the 28th, 2004; BF-118 September the 27th, 2004.

24

--

1 Q. And have you filed the proofs of publication
2 and information with regard to your mailings with Mr. Wilson?

3 A. Yes, we have.

4 Q. And when you published, what was published
5 in the newspaper?

6 A. We published the notice of hearing and
7 attached location map.

8 Q. Okay. With regard to unit BE-118, if you
9 would take a look at what you've provided the Board in
10 Exhibit A, page two, and also in the chart that you passed
11 out this morning, would you tell the Board what interests
12 you've been able to acquire regarding the coalbed methane and
13 what it...what it is you're seeking to pool?

14 A. We've leased 100% of the coal owners' claim
15 to coalbed methane; 99.983% of the oil and gas owners' claim
16 to coalbed. We're seeking to pool 0.017% of the oil and gas
17 owners' claim to coalbed methane within BE-118.

18 Q. Okay. It looks like this well has not been
19 drilled?

20 A. No.

21 Q. And you don't have a permit number either,
22 or do you?

23 A. Yes, we do.

24

--

1 Q. Okay, what's that number?

2 A. 6376.

3 Q. Okay. And what's your cost estimate?

4 A. \$232,339.52 to a depth of 2515.

5 Q. Okay. With regard to...turning now to BE-

6 119, what interests have you been able to acquire and what is

7 it you're seeking to pool?

8 A. We have 96.2462% of the coal owners' claim

9 to coalbed methane; 61.636% of the oil and gas owners' claim

10 to coalbed methane. We're seeking to pool 3.7538% of the

11 coal owners' claim to the coalbed methane; and 38.364% of the

12 oil and gas owners' claim to coalbed methane.

13 Q. Okay. Is the well drilled with regard to

14 BE-119?

15 A. Yes, it is. May 6th, 2004. Permit number

16 6091 to a depth of 2732.33 at a cost of \$241,149.93.

17 Q. Okay. It looks like you filed an Exhibit E

18 with regard to this unit?

19 A. We have.

20 Q. And it shows that there are conflicts

21 requiring escrow in Tract 3?

22 A. Correct.

23 Q. And there are also...there's also an address

24

1 or addresses unknown issue in Tract 3 as well, which is
2 another reason for escrow?

3 A. Correct.

4 Q. Okay. Going back for a moment to the escrow
5 with regard to BE-118, which I neglected to ask you about.

6 A. Yes.

7 Q. There was an Exhibit E filed with regard to
8 BE-118 indicating that escrow was required because of
9 conflicts in Tracts 6 and 7, is that correct?

10 A. That's correct.

11 Q. And then there was also an address unknown
12 issue in Tract 6?

13 A. Correct.

14 Q. And with regard to...again, with regard to
15 unit BE-118, did you...did you file and prepare an Exhibit
16 EE?

17 A. Yes, we did.

18 Q. So there are some folks in that unit that
19 have split agreements?

20 A. Yes.

21 Q. And is it your request that if the Board
22 enters and order pooling this unit BE-118 that the operator
23 be allowed to pay the folks who have split agreements that

24

--

1 are identified in Exhibit EE directly rather than escrowing
2 their funds and to pay them consistent with their agreements?

3 A. Correct.

4 Q. Then I think that escrow as shown on 118 is
5 out of the way now and we've dealt with escrow in BE-119.

6 Let's turn to BF-117. Again, starting with Exhibit A, page
7 two, or the chart, what is it that you've been able to
8 acquire in terms of coalbed methane interests and claims and
9 what is it you're seeking to pool?

10 A. We have 99.7106% of the coal, oil and gas
11 owners' claim to coalbed methane leased. We're seeking to
12 pool 0.2894% of the coal, oil and gas owners' claim to
13 coalbed methane.

14 Q. Has the well in this unit been drilled?

15 A. No.

16 Q. Is there a permit?

17 A. 6379, estimated depth is 2737, cost is
18 \$240,514.59.

19 Q. With regard to escrow, you filed an Exhibit
20 E?

21 A. Yes, we did.

22 Q. And it demonstrates a requirement for escrow
23 because of conflicts in Tracts 2 and 3, is that correct?

24

--

1 A. That's correct.

2 Q. And there's also a title issue which would
3 be another reason to escrow with regard to Tract 3 and the
4 people that are identified in the Exhibit E as being in
5 conflict because of a title issue?

6 A. That's correct.

7 Q. Okay. Turning to then the last of the
8 Middle Ridge...the last of the four Middle Ridge units on the
9 docket today, and again starting with Exhibit A, page two, or
10 the chart. Would you tell the Board what the operator has
11 been or the applicant has been able to acquire and what it is
12 you're seeking to pool?

13 A. Yes. We have 93.2244% of the coal, oil and
14 gas owners' claim to coalbed methane leased. We're seeking
15 to pool 6.7756% of the coal, oil and gas owners' claim to
16 coalbed methane.

17 Q. Has this well been drilled?

18 A. No.

19 Q. Does it have a permit number?

20 A. Yes.

21 Q. What---?

22 A. 6...6377 to a depth of...estimated depth of
23 2680 and a cost of \$233,585.55.

24

--

1 Q. Have you filed an Exhibit E with regard to
2 this?

3 A. Yes, we have.

4 Q. And there's an escrow requirement because of
5 conflicts in Tracts 2 and 4, is that correct?

6 A. That's correct.

7 Q. And then also another reason to escrow would
8 be a title issue in Tract 2?

9 A. Yes.

10 Q. And the folks who are in conflict because of
11 a title issue are identified in Exhibit E, correct?

12 A. Yes...yes, it is.

13 Q. Okay. With regard to these four Middle
14 Ridge units, is it your opinion that drilling one frac well
15 in the location shown on the several plats is a reasonable
16 plan to develop the coalbed methane in these four units?

17 A. Yes, it is.

18 Q. And if you take the leases that you...and
19 interests that you've been able to purchase or lease and you
20 combine that with a pooling order affecting the respondents
21 named with regard to each of these applications, would that,
22 in your opinion, protect the correlative rights of all owners
23 and claimants?

24

--

1 A. Yes, it would.

2 MARK SWARTZ: That's all I have with regard to

3 these units.

4 BILL HARRIS: Thank you. Members of the Board, any

5 questions?

6 DONALD RATLIFF: Mr. Chairman.

7 BILL HARRIS: Yes.

8 DONALD RATLIFF: On BE-119, there's a twenty plus

9 acre tract that belongs to...is that Miller? Is that an

10 Estate that represents the largest part of that 38%? It's a

11 Ms. Miller?

12 LESLIE K. ARRINGTON: Yes.

13 MARK SWARTZ: The Nellie Miller?

14 LESLIE K. ARRINGTON: Nellie Miller. Uh-huh.

15 DONALD RATLIFF: That's an Estate?

16 LESLIE K. ARRINGTON: I can't tell you that part

17 other than it's...and others. We've got them all listed

18 here. Scott...Scott can answer that.

19 (Leslie K. Arrington, Anita Duty and Scott Hodges

20 confer with each other.)

21 DONALD RATLIFF: It's just a large percentage.

22 BILL HARRIS: Yeah, I was little bit---.

23 SCOTT HODGES: Give me just a minute. I want to get

24

1 my bearings of where we're at.

2 (Scott Hodges reviews the plat.)

3 SCOTT HODGES: Yeah, it's heirship property and if

4 that's what you're...it's not an...it's already been---.

5 DONALD RATLIFF: Probated.

6 SCOTT HODGES: The person died and it's already

7 been passed on. These are the people that owned it, co-

8 tenants.

9 DONALD RATLIFF: No other questions.

10 BILL HARRIS: Thank you. Any other questions?

11 (No audible response.)

12 BILL HARRIS: Do you all have anything else to

13 present?

14 MARK SWARTZ: No.

15 BILL HARRIS: Thank you.

16 DONALD RATLIFF: Mr. Chairman, I move that we

17 approve BE-118, 119, 117 and...or BF-117 and BF-118.

18 BILL HARRIS: Okay. We have a motion to approve.

19 Do we have a second?

20 JIM MCINTYRE: Second.

21 BILL HARRIS: Thank you. Any further discussion?

22 (No audible response.)

23 BILL HARRIS: All in favor of the motion for

24

~

1 approval say aye.

2 (All members signify by saying aye.)

3 BILL HARRIS: Opposed, like sign.

4 (No audible response.)

5 BILL HARRIS: Thank you. The motion passed. Let

6 me get organized here. The next item on the agenda is a

7 petition from CNX Gas Company, LLC for creating...I'm sorry,

8 for creation and pooling of a conventional gas unit. The

9 unit is 25469, Garden District, Buchanan County, Virginia,

10 docket number VGOB-04-1019-1349. We'd ask all parties that

11 wish to speak to this petition to please come forward.

12 MARK SWARTZ: Mark Swartz and Les Arrington.

13 BILL HARRIS: Are there others?

14 (No one comes forward.)

15 BILL HARRIS: Let the record show that there are no

16 others. Okay, you may proceed.

17 LESLIE K. ARRINGTON

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. Les, you need to state your name for us

21 again.

22 A. Leslie K. Arrington.

23 Q. Who do you work for?

24

1 A. CNX Gas.

2 MARK SWARTZ: Mr. Chairman, I'd like to incorporate
3 the information with regard to the applicant and with regard
4 to leased...no, not the leased terms, just with regard to
5 applicant.

6 BILL HARRIS: Yes. That will be incorporated.

7 Q. Mr. Arrington, did you participate in or
8 have drafted the notice of hearing and application?

9 A. Yes.

10 Q. Okay. And you signed both?

11 A. Yes, I did.

12 Q. Okay. This, as the Chairman pointed out, is
13 to create a drilling unit and to pool it on a conventional
14 well?

15 A. That's correct.

16 Q. Okay. Are you essentially using a statewide
17 spacing unit?

18 A. Yes, we are.

19 Q. And that is designed in the statute how? I
20 mean, what---?

21 A. As a circle.

22 Q. It's a circle with a radius of?

23 A. 1250 feet.

24

--

1 Q. Okay. And that turns out, when you do the
2 math, to contain how many acres?

3 A. 112.69 acres.

4 Q. Okay. Is this well drilled yet?

5 A. No.

6 Q. Is it permitted?

7 A. Yes, 6400 to an estimated depth of 5,365
8 feet at a cost of \$387,601.70.

9 Q. What are the lease terms that you have
10 offered for conventional oil and gas in this...to the people
11 you've been able to reach agreements with in this unit and
12 others?

13 A. Five dollars per acre with a one-eighth
14 production royalty.

15 Q. And the term?

16 A. Five years.

17 Q. Are you asking that the Board incorporate
18 those terms in its order if it enters one with regard to
19 folks who are deemed to have been leased?

20 A. Yes, we are.

21 Q. Okay. In this unit, how many...what
22 percentage of the oil and gas interests have you been able to
23 either lease or acquire?

24

1 A. 63.1733% of the oil and gas owners'
2 claim...oil and gas owners. We're seeking to pool 36.8267%
3 of the owners.

4 Q. And what did you do to notify the people
5 that are listed in the notice of hearing in Exhibit B-3 that
6 there was going to be a hearing today with regard to pooling?

7 A. We mailed certified mail on September the
8 17th, 2004; published in the Bluefield Daily Telegraph on
9 September the 25th, 2004.

10 Q. When you published, what was published?

11 A. The notice of hearing and attached location
12 map.

13 Q. Have you filed the proofs of publication and
14 information with certifications with regard to mailing with
15 Mr. Wilson's office?

16 A. Yes, we have.

17 Q. Do you intend to frac this well?

18 A. Yes.

19 Q. And that's reflected in the cost estimate?

20 A. Yes, it is.

21 Q. And so essentially what you're asking the
22 Board to do is to create a unit based on the statewide...a
23 circular unit based on the statewide spacing that is...that

24

--

1 is in reflected on the plat you filed?

2 A. Yes.

3 Q. And then to pool the respondents who have
4 roughly 36% of the oil and gas in that unit, is that correct?

5 A. That's correct.

6 Q. Is it your opinion that if you take the
7 leases that you've obtained and couple that with a pooling
8 order affecting the respondents listed in the notice of
9 hearing in Exhibit B-3, that that will indeed protect the
10 correlative rights of all of the owners of the conventional
11 oil and gas?

12 A. Yes, it will.

13 Q. Is the drilling and fracing of this well, as
14 described in the application and the cost estimate, a
15 reasonable plan to develop the conventional gas within and
16 under this unit?

17 A. Yes, it is.

18 Q. And just to compare and contrast, I guess
19 there is not an escrow requirement here?

20 A. No.

21 Q. And the primary reason for pooling, although
22 there are other folks, is that...is Mr. Cox?

23 A. Yes, it is.

24

--

1 Q. Apparently, you have not been able to reach
2 an agreement with him?

3 A. We would hope to eventually.

4 Q. Not yet?

5 A. Not yet.

6 Q. You've been trying?

7 A. That's right.

8 Q. Okay. And he has roughly...well, a little
9 over 30% of the unit?

10 A. Yes, he does.

11 MARK SWARTZ: That's all I have, Mr. Chairman.

12 BILL HARRIS: Thank you. Did you say this had been
13 drilled or had not?

14 LESLIE K. ARRINGTON: No, it has not.

15 BILL HARRIS: Had not been drilled, okay. Board
16 members, any questions?

17 DONALD RATLIFF: Move to approve, Mr. Chairman.

18 PEGGY BARBAR: I second.

19 BILL HARRIS: Okay. It has been moved to approve
20 this petition. Any further discussion?

21 (No audible response.)

22 BILL HARRIS: All in favor, say aye.

23 (All members signify by saying aye.)

24

1 BILL HARRIS: Opposed, like sign.
2 (No audible response.)
3 BILL HARRIS: Thank you. It's approved. Our next
4 item is a petition from CNX Gas Company, LLC for disbursement
5 of funds from escrow and authorization to direct payment of
6 royalties on Tracts 3, 5,7 and 8, unit T-16, Hurricane
7 District, Buchanan County, Virginia, docket number VGOB-94-
8 1024-1...I'm sorry, 0476-01. We'd ask all parties that wish
9 to speak to this petition to please come forward.
10 MARK SWARTZ: Mark Swartz and Anita Duty.
11 BILL HARRIS: Thank you. Are there others?
12 (People come forward.)
13 MARK SWARTZ: Before we get started with this, if
14 you'll look at what Anita has given you with regard to the
15 proposed disbursement. There's a...under the William A. Arms
16 heirs, there's a little small letter d, a Charlie E. Street.
17 Do you see that?
18 BILL HARRIS: Uh-huh.
19 MARK SWARTZ: Mr. Street is here today, and he and
20 Landon Wyatt, Landon is here as well, entered into an
21 agreement within the last couple of days, a royalty split
22 agreement and they're...they're both here. And I can have
23 them acknowledge that. We, kind of on the theory that
24

--

1 they're here and we would like to make one trip, we've added
2 them. When we filed the request for disbursement, we were
3 dealing, at least in that area...in that tract and that
4 ownership---.

5 ANITA DUTY: It's the same heirship.

6 MARK SWARTZ: ---and that heirship with just A, B
7 and C. But we've got this further agreement. And if
8 that's...I wanted to alert you to that so if there's...if
9 there's a difficulty with that, we need to address it. If
10 not, as long as they're personally here, I figured it would
11 be okay.

12 BILL HARRIS: I'm not aware of any problem with
13 doing that.

14 MARK SWARTZ: Yeah, I mean, my recollection is if
15 they're not here in person, then we've got to give the
16 notice. But if they're actually, physically...you know, I'll
17 get both of them up here in a moment and they can acknowledge
18 that.

19 BILL HARRIS: Okay, fine. Thank you.

20 MARK SWARTZ: Anita, why don't you, as you have
21 done before, and I think you know how to do this rather than
22 asking a million questions. First of all, I can't remember
23 if you were sworn. Were you sworn?

24

--

1 ANITA DUTY: No.

2 MARK SWARTZ: Okay, we need to do that.

3 (Anita Duty is duly sworn.)

4

5 ANITA DUTY

6 having been duly sworn, was examined and testified as

7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

10 Q. You need to state your name for the record
11 then.

12 A. Anita Duty.

13 Q. Okay. Who do you work for?

14 A. CNX Gas.

15 Q. And of the millions of things you do for
16 them, what is it that pertains to why you're here this
17 morning?

18 A. To...we have royalty split agreements and we
19 want to get the money out of the escrow account.

20 Q. Okay. And you deal with balancing your
21 records versus the bank's records to come up with the final
22 numbers, correct?

23 A. Yes.

24

--

1 Q. Okay. Tell the...just take your time here
2 and walk through what you have done to verify the balances
3 and so forth and the percentages and share with the Board the
4 work that you've done and where you are and what's
5 your...what we're asking them to do today?

6 A. Okay. Well, first of all, for all three
7 accounts, all the accounts balance. We've had all of them
8 with the exception of AA-9 here before. So, you know,
9 according the deposits that we've made to the bank and the
10 bank's records, everything matches and everything is
11 reconciled. So as far as the disbursements for AA-8 on Tract
12 1B, there's an agreement between Harrison-Wyatt and four of
13 the Arms' heirs. It should be Tivis Arms, 0.4784% of escrow;
14 Joshua Arms, 0.4784% of escrow; Kelsie Earp, 0.4784% of
15 escrow; and Charlie Street, 2.3919% of escrow. And for unit
16 AA-9, we have Harrison-Wyatt and Robert Rash on Tract 2B,
17 each receiving 11.9286% of escrow. On the petition, I had
18 the incorrect number. I had half of that, which the 11% is
19 the half. So that needs...I gave it to Bob so he can correct
20 it.

21 BILL HARRIS: I'm sorry, could you repeat that now
22 in the AA-9?

23 ANITA DUTY: On the miscellaneous petition...yes?
24

1 BILL HARRIS: Yes.

2 ANITA DUTY: On AA-9, I had half of 11.92% going to
3 Robert Rash and the Harrison-Wyatt and it should be 11 to
4 each. I divided it in half two times instead of one.

5 BILL HARRIS: I don't---.

6 MARK SWARTZ: Okay, if you look at the middle
7 spreadsheet---.

8 BILL HARRIS: The lighter yellow.

9 ANITA DUTY: Yeah, uh-huh.

10 MARK SWARTZ: In the middle spreadsheet.

11 BILL HARRIS: Yes, okay.

12 MARK SWARTZ: There...what Anita did in the
13 original petition, she divided the 23.875---.

14 BILL HARRIS: It would be 11 and 11.

15 MARK SWARTZ: Right. Twice...she did it two times.
16 Okay, she got it---.

17 ANITA DUTY: I put 5...5.9643% on the petition,
18 which it should have been 11.9286%.

19 BILL HARRIS: Okay.

20 MARK SWARTZ: And the exhibit that you have this
21 morning, that Mr. Wilson has, is reporting the 11.92%, which
22 is the correct percent, which is double what the number was
23 in the petition. Go ahead.

24

--

1 A. Okay. And for Tract 2C, let's see, it's
2 Harrison-Wyatt and for Tivis Arms, Joshua Arms and Kelsie
3 Earp, it's all the same percentages, 0.2539%. And for
4 Charlie Street, it's 1.269% of escrow. Then for unit BB-8,
5 Tract 2C, it's Harrison-Wyatt and the Arms heirs again, Tivis
6 Arms, Josh Arms, Kelsie Earp 0.2206% each, and Charlie Street
7 1.1031% of escrow.

8 Q. Now, what you're asking for specifically in
9 terms of what the order would provide, is that the escrow
10 agent be instructed to disburse the percentages that you've
11 identified here by taking the percentage number that you're
12 given times the total amount in escrow with regard to the
13 tract and disburse it to the people that you've listed,
14 correct?

15 A. Yes.

16 Q. Okay. And also we're asking that, you know,
17 the operator be, when the order is entered, relieved of an
18 obligation of continuing to deposit funds with the escrow
19 agent with regard to these people, but permitted to pay them
20 directly their one-half interest?

21 A. Yes.

22 Q. Okay. And is that what the order should
23 provide to cause this to happen in an appropriate way?

24

--

1 A. Yes.

2 Q. When these monies are paid, will there still
3 be an escrow account?

4 A. Yes.

5 MARK SWARTZ: That's all I have, except I would
6 like to get Landon and---.

7 BILL HARRIS: Before we do that, let me...let me
8 just make, I guess, a correction here. We were talking about
9 items...I've lost my list here...Tracts 3, 5, 7 and 8, but we
10 were actually talking about item ten on the agenda now. I
11 know what you all have given us is about unit AA-9, BB-8.
12 These are other petitions we have listed. I have not called
13 those. So I do need to call those---.

14 MARK SWARTZ: Yes.

15 BILL HARRIS: ---to make us legal here. So, let me
16 call---.

17 DONALD RATLIFF: Well, you've called ten.

18 BILL HARRIS: I've called ten.

19 DONALD RATLIFF: What action---?

20 ANITA DUTY: Ten and eleven we need to continue
21 because I have a problem with a voided check that I want to
22 make sure that that's correct.

23 BILL HARRIS: Oh. Well---.

24

1 ANITA DUTY: So I need---.

2 BILL HARRIS: ---let's---.

3 ANITA DUTY: I'm sorry.

4 BILL HARRIS: Oh, that's okay. Yeah, let's do

5 this, let's...let me call ten and eleven and if there is some

6 action that we need to take on that that's different than

7 what's going to be on others---.

8 MARK SWARTZ: Right. But we need Landon and Mr.

9 Street to offer their testimony today as well. So, we're

10 kind of...we wanted them to hear what we're proposing and---.

11 BILL HARRIS: Okay.

12 MARK SWARTZ: ---we'll get to those. But we're

13 not...we're not going to conclude those today. So you need

14 to call them all, I guess.

15 BOB WILSON: Mr. Chairman, while we're in the

16 cleaning up phase here, from looking at your applications,

17 Charlie E. Street was not notified at all, is that correct?

18 MARK SWARTZ: That's right.

19 BOB WILSON: He received no notice of this.

20 MARK SWARTZ: Correct. Correct. Because he didn't

21 have an agreement.

22 BOB WILSON: Okay. It's my opinion that we cannot

23 waive that notice. We have been informed in the past that

24

1 on...specifically on permitting issues, when the law requires
2 notice, we don't have, absent some mechanism in the law, the
3 ability to waive that notice even if the person shows up and
4 says, "I waive that notice." So, it would be my opinion that
5 we cannot fully address this today because Mr. Street has not
6 received notice. A technicality, yes, but---

7 MARK SWARTZ: Well, he's here and I'm going to have
8 him acknowledge that he's here and he's in favor of this and
9 if he wants to come next month, he can. But I'm trying
10 to...you know, we're going to be here next month no matter
11 what. But I think for Landon and Mr...Mr. Street I'd like
12 them to, you know, not have to come back.

13 BOB WILSON: Yeah.

14 MARK SWARTZ: ---So, I'd kind of like to
15 accomplish what we could because.

16 BOB WILSON: Sure, and I think that's appropriate--
17 -.

18 MARK SWARTZ: And that's what we've done in the
19 past.

20 BOB WILSON: ---but it's my...it's just my opinion
21 that we need to continue all of these that involve Mr.
22 Street, but yes, you can take the testimony and get
23 everything finished and then just provide him with that
24

--

1 notice for next time.

2 (Anita Duty and Mark Swartz confer.)

3 MARK SWARTZ: We have...we have an issue that we
4 probably are going to tender an order with regard to the
5 three folks that received notice and see if we can't get that
6 in the...in the works. I mean, they've waited a good while.
7 They've had these agreements for quite a while and there's
8 some...they feel there's some urgency. So we may...you may
9 see, you know, a tendered order with regard to A, B and C
10 because they got notice.

11 BOB WILSON: Okay.

12 MARK SWARTZ: Okay.

13 BOB WILSON: So in---.

14 MARK SWARTZ: And we may have to follow up with,
15 you know, a supplemental order to deal with Mr. Street after
16 next month. But just to alert you to that these folks
17 are...it's kind of a squeaky wheel and we need to try to
18 accommodate them if we can.

19 BOB WILSON: Again, I don't...I think it's two
20 separate things.

21 MARK SWARTZ: I don't agree with you. I'm just
22 accepting what you're telling me.

23 BOB WILSON: Sure. Well...and that's certainly
24

--

1 open to argument before the Board. But we have been subject
2 to opinions in the past that we do not have...we, meaning the
3 Division of Gas and Oil and the Board, do not have authority
4 to waive notice absent some specific means to do that, which
5 we have in permitting, but we don't have before the Board.

6 (Anita Duty and Mark Swartz confer.)

7 BILL HARRIS: Well, let me...let me do this. I do
8 need to call item eleven---

9 MARK SWARTZ: Yes, you do.

10 BILL HARRIS: ---and those are the two we need to
11 talk about first and then go to twelve, thirteen and
12 fourteen.

13 MARK SWARTZ: Yeah.

14 ANITA DUTY: Ten and eleven is the ones that need
15 to be continued.

16 MARK SWARTZ: Actually you need to...yeah, ten and
17 eleven are the ones we need to deal with?

18 ANITA DUTY: Need to continue and these were after
19 that. We kind of jumped ahead.

20 BILL HARRIS: Yeah...yeah, that was brought to my
21 attention. Let me read item eleven.

22 MARK SWARTZ: Okay.

23 BILL HARRIS: We'd already called ten. I'd like to
24

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1 also call eleven, the petition from CNX Gas Company, LLC for
2 disbursement of funds from escrow and authorization for
3 direct payment of royalties on Tract 2, unit T-15 Hurricane
4 District, Buchanan County, Virginia, docket number VGOB-92-
5 1215-0306-01. I think those---.

6 MARK SWARTZ: Mark Swartz and Anita Duty on that
7 one. You probably need to...to make sure we don't have a
8 total mess here, you probably need to call the rest of these,
9 yeah.

10 BILL HARRIS: The others, since we've already
11 discussed those?

12 MARK SWARTZ: Yeah.

13 BILL HARRIS: Let me go ahead and continue. Item
14 twelve, thirteen and fourteen. Item twelve is a petition
15 from CNX for disbursement of funds from escrow and
16 authorization of direct payments of royalties on Tract 2B and
17 2C, unit AA-9, South Grundy District, Buchanan County,
18 Virginia, docket number VGOB-91-0430-0116-01. Also, docket
19 number...similar disbursement of funds from escrow and
20 authorization for direct payment of royalties on Tract 2C,
21 unit BB-8, Prater and Hurricane Districts, Buchanan County,
22 Virginia. That docket number is VGOB-90-1010-0033-02. And
23 also number fourteen, a petition from CNX for disbursement of
24

1 funds from escrow and authorization of direct payment
2 royalties...of royalties on Tract 1B, unit AA-8, Prater and
3 Hurricane Districts, Buchanan County, Virginia. That docket
4 number is VGOB-90-1010-0032-02. Again, we'd like to ask all
5 parties who want to address us relative to those items to
6 please come forward.

7 MARK SWARTZ: Mark Swartz and Anita Duty on those
8 as well.

9 BILL HARRIS: Okay, fine.

10 MARK SWARTZ: Now, to kind of backtrack to where
11 were where.

12 BILL HARRIS: Yeah, we were...yeah.

13

14

15 ANITA DUTY

16 DIRECT EXAMINATION RESUMES

17 QUESTIONS BY MR. SWARTZ:

18 Q. With regard to AA-8, are we requesting an
19 order disbursing to the William A. Arms heirs A through C in
20 the percentages that are shown on the exhibit you've given to
21 the Board today?

22 A. Yes.

23 Q. And because of the concerns that Mr. Wilson
24

--

1 has voiced with regard to Mr. Street, we're...we've offered
2 the testimony, but we're going to provide him with written
3 notice between now and the next hearing and that order can
4 follow?

5 A. Yes.

6 Q. Okay. With regard to AA-8, that's what
7 we're requesting and that's where we are today, correct?

8 A. Yes.

9 MARK SWARTZ: Landon, can you step up here for a
10 moment? I need Mr. Street as well. You can actually have my
11 chair for a minute. You're going to need to be sworn. Just
12 have a seat for one minute here. Mr. Street, you can borrow
13 this chair. If I can have the reporter swear you guys.

14 (Landon Earl Wyatt, Jr. and Charlie E. Street are
15 duly sworn.)

16

17

18 LANDON EARL WYATT, JR.

19 having been duly sworn, was examined and testified as
20 follows:

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23 Q. Landon, could you state your name for the

24

--

1 record and give us an address?

2 A. Landon Earl Wyatt, Jr., Danville, Virginia.

3 Q. Okay. And do you represent the Harrison-
4 Wyatt, LLC?

5 A. Yes, I do as manager.

6 Q. Okay. And have you and Mr. Street recently
7 entered into a royalty split agreement?

8 A. Yes, sir, as of yesterday.

9 Q. And is it...is it your desire that as soon
10 as the paperwork can catch up with the transaction as far as
11 the Virginia Gas and Oil Board is concerned, that the escrow
12 agent be directed to disburse funds consistent with the
13 agreement you've made?

14 A. Yes.

15

16 CHARLIE E. STREET

17 having been duly sworn, was examined and testified as
18 follows:

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SWARTZ:

21 Q. Mr. Street, you need to state your name for
22 us and give us an address as well.

23 A. Charlie E. Street, 1917 (inaudible,
24

--

1 Abingdon, Virginia.

2 Q. Okay, did you recently enter into an
3 agreement with Landon here with regard to splitting
4 royalties?

5 A. I called Carl Bales and he said he would get
6 me...I told him that I had decided, you know, to just take
7 whatever is in the escrow.

8 Q. Okay.

9 A. And he said I will get you the papers in the
10 mail. So I received them Saturday. And then Monday, I had
11 them notarized and mailed them back to him Monday morning and
12 he got them Tuesday...he called me and said he got them
13 Tuesday. And he said, "was you notified to be in the meeting
14 held there the 9th or today, Thursday" and I told him, "no."
15 He said, "Well, I'll tell you what," he said, "we have a
16 secretary or whatever that's going to be there," and said
17 "I'm going to give you his...your papers and she will get
18 them signed there at the meeting."

19 Q. Okay. And so you've...through Carl Bales,
20 you and Mr...Mr. Landon Wyatt have reached an agreement to
21 divide royalties?

22 A. Right.

23 Q. Okay.

24

--

1 A. I reached an agreement with him and he told
2 me to come out here and the lady that would be here that she
3 would have them and have someone sign them.

4 Q. Okay. That lady is right there probably.

5 A. Uh-huh.

6 Q. Okay. And is it your request that as soon
7 as the paperwork catches up and the notices with the Board,
8 that the funds be disbursed to you from escrow consistent
9 with your agreement to divide them equally?

10 A. Yes, sir.

11 MARK SWARTZ: That's all I have, Mr. Chairman.

12 BILL HARRIS: Now, there are two other folks here
13 and are they here relative to that same case?

14 MARK SWARTZ: I don't know. We need to find out
15 who they are.

16 KELSIE ARMS EASTRIDGE: Same Arms.

17 MARK SWARTZ: Okay.

18 KELSIE ARMS EASTRIDGE: W...W. A. Arms.

19 MARK SWARTZ: Okay. And your name is?

20 KELSIE ARMS EASTRIDGE: Kelsie, well I'm Eastridge
21 now.

22 MARK SWARTZ: Okay. And is that your husband?

23 KELSIE ARMS EASTRIDGE: Yes.

24

1 MARK SWARTZ: Okay. So you would be the Kelsie Arms
2 Earp that was listed on here?

3 KELSIE ARMS EASTRIDGE: Yes.

4 MARK SWARTZ: Okay. Well, I think...unless the
5 Board has questions of you two guys, we'll trade seats again.
6 Is that okay?

7 BILL HARRIS: Thank you. Did you all want to make
8 some comments or questions or...do we need to---?

9 KELSIE ARMS EASTRIDGE: I want to know how much is
10 in the escrow...is in it and another thing, I got a call and
11 it said that you'uns had found the money that had been lost.
12 I want to know what happened to the money between that time.

13 BILL HARRIS: Okay. Let's...I guess we need to get
14 you sworn in. Would you do that, please?

15 COURT REPORTER: Are you going to speak, the
16 husband?

17 KENNETH EASTRIDGE: Yeah.
18 (Mr. and Mrs. Eastridge are duly sworn.)

19 COURT REPORTER: Sir, you need to state your name,
20 please.

21 KENNETH EASTRIDGE: Kenneth Eastridge, Wilksboro
22 North Carolina.

23 BILL HARRIS: Now, would you ask that question
24

1 again? You said something about---.

2 KENNETH EASTRIDGE: The escrow funds is what
3 she's...the amount of...the total amount and---.

4 KELSIE ARMS EASTRIDGE: They said it had...they had
5 been some money lost, but that has been found now. That's
6 what I don't understand. Where has it---?

7 BILL HARRIS: Who said it was lost? I mean, what--
8 -?

9 KENNETH EASTRIDGE: That was at the last meeting.

10 KELSIE ARMS EASTRIDGE: That was at the last
11 meeting that we was to. That was in '01 or '02 when we was
12 out here. But they said....now they say it has been found.
13 I don't understand how can money be lost and then found
14 again.

15 BILL HARRIS: Yeah. I don't either. Does anyone on
16 the Board know what...? This is---.

17 PEGGY BARBAR: Do you have a copy of any
18 documentation?

19 KELSIE ARMS EASTRIDGE: No. That's just what they
20 talked about here at the meeting.

21 PEGGY BARBAR: That you had no money or anything?

22 BOB WILSON: Mr. Chairman---?

23 BILL HARRIS: Yes.

24

--

1 BOB WILSON: ---may I ask a question, please?
2 BILL HARRIS: Yes.
3 BOB WILSON: Who was your meeting with? Are you
4 speaking of a Board meeting---?
5 KELSIE ARMS EASTRIDGE: All---.
6 BOB WILSON: ---or a meeting with---?
7 KELSIE ARMS EASTRIDGE: They had a meeting here.
8 Some of the Board members wasn't...didn't come because they
9 would had other objects and they couldn't get here.
10 BILL HARRIS: But you were told that the money was
11 lost?
12 KELSIE ARMS EASTRIDGE: Lost, uh-huh. Said it was
13 in several of the banks and they had changed so many banks.
14 They keep changing banks with the money.
15 BOB WILSON: Excuse me, again. Was this the
16 hearing that we had last year where we did not have a quorum
17 and we had---?
18 KELSIE ARMS EASTRIDGE: No, I wasn't here last
19 year.
20 BOB WILSON: When was the---?
21 KELSIE ARMS EASTRIDGE: In '01 or...what year was
22 that we came out here?
23 KENNETH EASTRIDGE: It was a couple of years ago.

24

--

1 KELSIE ARMS EASTRIDGE: A couple of years ago and
2 we came to it.

3 LESLIE K. ARRINGTON: It was an August
4 hearing...was that not in August?

5 ANITA DUTY: I think it was December.

6 LESLIE K. ARRINGTON: Was it in December?

7 KELSIE ARMS EASTRIDGE: No, I wasn't...it wasn't in
8 December.

9 ANITA DUTY: It wasn't December?

10 KELSIE ARMS EASTRIDGE: No, it wasn't in December.

11 BOB WILSON: We had a hearing sometime back, I
12 don't remember when it was, in which we had a number of
13 people, some of whom were from North Carolina, I can't
14 remember who came and we were not able to hold the
15 hearing---.

16 KELSIE ARMS EASTRIDGE: Hold the meeting because
17 some of the Board members---.

18 BOB WILSON: ---because we didn't have a quorum.
19 That's correct.

20 KELSIE ARMS EASTRIDGE: Didn't have a quorum.
21 That's right.

22 BOB WILSON: And you're saying that at that
23 meeting, you were told that the money was lost and then
24

1 found. Do you remember who---?

2 KELSIE ARMS EASTRIDGE: Said it was in several
3 banks...you'uns had the money in several banks and one bank
4 the money hadn't been found. Now it has been found. I don't
5 understand that.

6 BOB WILSON: That hearing was not held, so there
7 was nothing official there. Do you remember who told you
8 that?

9 KELSIE ARMS EASTRIDGE: No, I don't.

10 BOB WILSON: The...for your information, so far as
11 the escrow account is concerned, it has changed from one bank
12 to another, but that's only because the Board has changed
13 contracts. The...it was initially placed in a Tazewell Bank.
14 Tazewell then merged with First Virginia. In 2000, I think,
15 we put out a bid for a new contractor to carry it, after
16 which First Union/Wachovia got that contract and have managed
17 it since. But I don't know of any reason to think there's
18 been any lost money.

19 KELSIE ARMS EASTRIDGE: Well, they mentioned the
20 Tazewell Bank, that the money was in the Tazewell Bank and it
21 had been lost.

22 BOB WILSON: No. I...there was obviously a
23 misunderstanding there somewhere because there's certainly

24

--

1 been no money lost in this process.

2 BILL HARRIS: So, you...now, your question was
3 about that money that was lost? I mean, I don't know of any
4 way to confirm on that about losing money. I mean, as far as
5 I know we...that hasn't happened. I'm not sure what to tell
6 you.

7 KELSIE ARMS EASTRIDGE: Well you'uns has been a
8 drilling on the place out there since 19---.

9 KENNETH EASTRIDGE: '93.

10 KELSIE ARMS EASTRIDGE: ---93, on my grandpa's
11 place.

12 BILL HARRIS: There's been a---.

13 KELSIE ARMS EASTRIDGE: You'uns been a drilling gas
14 since that long. And I don't understand you'uns just ain't
15 got no more money in the...in it than what it is and you'uns
16 been drilling that long.

17 BILL HARRIS: I'm not sure how to respond to that.
18 Do we have---?

19 KENNETH EASTRIDGE: Well, I don't think we have an
20 update on the...on their paper there do you?

21 BILL HARRIS: Yeah, we don't have...we...now, I
22 understand you're due money from all three of these that
23 we've...excuse me, that we've called.

24

--

1 MARK SWARTZ: Three...AA-8, 9---.

2 BILL HARRIS: AA-8, 9 and BB-8.

3 MARK SWARTZ: Correct.

4 ANITA DUTY: Well, one thing is that not everybody

5 that's in these units are in conflict. Not everybody's money

6 is in escrow. I mean, there's two AA-8 and BB-8. We've come

7 before the Board before and some of those royalty splits have

8 already taken place. So not everybody's money goes to

9 escrow. So that...you can't look at the balance in the

10 escrow account and think that that's how much money that's

11 has been paid out because that's...you can't look at it that

12 way.

13 BILL HARRIS: Uh-huh.

14 ANITA DUTY: I mean, these are 80 acre units and

15 just for example, AA-8, it says 18.43 acres are being

16 escrowed. Well, there's 80 acres total in that unit. So the

17 rest of that money is being paid. So you can't go by the

18 balance of the escrow account as to how much has been paid

19 for the well.

20 BILL HARRIS: So let's go back to your---.

21 KENNETH EASTRIDGE: Ask him if that's what it is.

22 BILL HARRIS: Yeah.

23 KELSIE ARMS EASTRIDGE: What does this mean right

24

1 here?

2 MARK SWARTZ: Well, it means that there's a total
3 of \$27,000 in the escrow with regard to this well, okay?

4 KELSIE ARMS EASTRIDGE: Uh-huh.

5 MARK SWARTZ: And it means with regard to the Arms
6 Heirs, there's a total of \$7800 roughly, okay? And your
7 piece of that is a one-sixtieth interest, which with regard
8 to this well, is \$131.17 is your piece of that total in
9 escrow. And in the same...as you come down it's the same
10 calculation, you know, in B...in AA-9. The Arms Heirs
11 overall have a little over 30% and you've got a one-sixtieth
12 interest, which is \$171.33 there. And it's the same
13 calculation in BB-8.

14 KELSIE ARMS EASTRIDGE: Well, now here where
15 you'uns have sent it to me where it's \$245.45.

16 KENNETH EASTRIDGE: 800.

17 KELSIE ARMS EASTRIDGE: 800 and 300. Now, how did
18 you'uns get downgraded to upgraded. Now, that's what I don't
19 understand. Here you'uns have dropped way down when first
20 you said way up high.

21 (Anita Duty and Mark Swartz confer.)

22

23 ANITA DUTY

24

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1

DIRECT EXAMINATION

2 QUESTIONS BY MR. SWARTZ;

3 Q. We've been provided with a copy of a tract
4 by tract escrow calculation which is pretty similar to what
5 you guys have got, which is account balances as of 12/31/02.
6 Anita, do you know if this is something that you would have
7 done?

8 A. Yeah.

9 Q. Do you do these from time to time for
10 people?

11 A. Yes, but I tell them that it is only an
12 estimate until I have to reconcile the accounts.

13 Q. Okay. And just for the Board, since we
14 don't have extra copies for you, at least at this moment, is
15 there...is there a number reported with regard to AA-8 for
16 Kelsie Eastridge?

17 A. Yes.

18 Q. And what was the owner's percent of escrow
19 in the 12/31/02 estimate?

20 A. It says 0.22083.

21 Q. And that's a different percentage than we
22 see on the document Exhibit B today, correct?

23 A. Yes.

24

--

1 Q. And the dollar number reported for that
2 percentage was what amount?

3 A. 215.45.

4 Q. Okay. I mean, to explain what the
5 differences are between the accounts that you've balanced
6 today and your estimate, would you need some time to go back
7 and look at that?

8 A. Yes.

9 Q. I think we probably need to answer the
10 question and I don't think we have an ability to do that
11 today, you know, without going back and looking at this.

12 A. All right.

13 Q. I mean, we don't want to be guessing, you
14 know. What Anita is telling me is the accounts balance and
15 the numbers, you know, that she is providing today, at least
16 the bank records balance, but I think we need to go back and
17 look at these percentages.

18 A. The total tract balances of this is 100% of
19 escrow.

20 Q. I understand. But you know, we've got a
21 difference in the numbers and I think, you know, these folks
22 are entitled to an explanation as to why they got one number
23 in 2002 and why it's different today so that they're

24

--

1 satisfied that, you know, it's not a mistake. So I think we
2 need to...we need to deal with this. And you know, we can
3 deal with them over the phone or---.

4 KELSIE ARMS EASTRIDGE: And another thing, I...you
5 was here and you put these figures down right here on one
6 tract you got...it was \$2,057.29.

7 ANITA DUTY: Now was that for the whole tract
8 though? I think I told you that was for the whole tract.

9 KELSIE ARMS EASTRIDGE: No. You've got my name
10 circled here on the thing.

11 ANITA DUTY: Well when I did that, now I told you
12 that was an estimate. Now, that could have been for the
13 whole tract. I can't answer it right now because I don't
14 know exactly what...what number I put there but---.

15 KELSIE ARMS EASTRIDGE: Well, I don't understand as
16 long as you've been drilling for gas out there and no more
17 money is in there for us...the owners. Now, I don't
18 understand that. I may be dumb, but I don't look that dumb.

19 MARK SWARTZ: Well, there's less than...less than
20 one-fourth of the royalty money has been deposited in this
21 account because there's less than 20 acres being escrowed.
22 So, if there's 27,000 in there now, that means you multiply
23 three times that and other people have received that. So, I
24

1 mean, essentially this...these documents you're showing is
2 about \$120,000 in royalty have been paid since this well was
3 drilled, which is a lot of money, you know. But people are
4 receiving that money. There's...there's only roughly 18 and
5 change acres in escrow here. So, I mean, I don't buy that
6 that there's some problem that, you know, there's...there's a
7 lot of missing money. I mean, this well has paid a lot of
8 money in royalties and most of it has been paid directly to
9 the people. What concerns me, and what I feel you're
10 entitled to an explanation is, you know, where did this
11 number come from and why is this number different? And you
12 know, if this is correct, we'll defend it. If it's wrong,
13 we'll correct it. I mean, I'm assuming it's correct. But I
14 think, you know, it's a legitimate question. I would be
15 asking it. We don't have the records to answer that today.
16 So, we probably need to continue...I mean, all three of these
17 numbers are different.

18 ANITA DUTY: Right.

19 MARK SWARTZ: So, I think we need to continue AA-8,
20 AA-9 and BB-9. And in the meantime, you know, Anita
21 will...make sure you don't leave without a phone number and a
22 current address so that we can be in touch with you guys.

23 But, you know, we'll try and interact with them between now
24

1 and the next hearing to make sure that, you know, we're on
2 the same page. And if we are, great, if not, we'll be back.

3 BILL HARRIS: I think you said BB-9, but it is BB-
4 8.

5 MARK SWARTZ: I'm sorry, BB-8, yes.

6 BILL HARRIS: Yes. So AA-8, AA-9 and BB-8 so
7 you're asking to continue those?

8 MARK SWARTZ: We need to continue those because we
9 need to...for the reason that, you know, I've just expressed.
10 Can I get a copy of this before you leave?

11 KELSIE ARMS EASTRIDGE: Yes, sir.

12 BILL HARRIS: Okay, thank you. We'll continue
13 those. Those were twelve, thirteen and fourteen. Thank you
14 all, folks. They'll be in touch with you---.

15 KELSIE ARMS EASTRIDGE: Okay.

16 BILL HARRIS: ---and try to get this worked out.

17 MARK SWARTZ: Don't leave until we get your numbers
18 and get a copy.

19 BILL HARRIS: Yeah, we'll try to get that worked
20 out.

21 MARK SWARTZ: Now, the other two, Mr. Chairman, are
22 the ones---?

23 BILL HARRIS: Yes, ten and eleven.
24
--

1 MARK SWARTZ: ---with the void checks.
2 BILL HARRIS: Yes.
3 MARK SWARTZ: So we need to continue those as well.
4 BILL HARRIS: So ten and eleven are continued.
5 MARK SWARTZ: Correct. We've got a void check
6 issue there which we need to straighten out.
7 BILL HARRIS: Okay. Do we need to take a break or
8 are we...keep going?
9 DONALD RATLIFF: We need to switch attorneys
10 anyway.
11 BILL HARRIS: Yes, we do need to---.
12 MARK SWARTZ: Okay.
13 BILL HARRIS: Why don't...why don't we take about a
14 ten minute break here and we'll do the change out.
15 (Break.)
16 BILL HARRIS: The next item is number fifteen, a
17 petition from Equitable Production Company for creation and
18 pooling of conventional gas unit V-536128, Kennedy District,
19 Dickenson County, Virginia, docket number VGOB-04-10/19-1350.
20 We'd like to ask all parties who wish to speak to this
21 matter please come forward and identify themselves.
22 JIM KISER: Mr. Chairman and members of the Board,
23 Jim Kiser and Don Hall on behalf of Equitable Production
24

1 Company. We'd ask that Mr. Hall be sworn at this time.

2 (Don Hall is duly sworn.)

3 BILL HARRIS: Let the record show there are no
4 others. Thank you.

5 JIM KISER: Okay, and during the break, Mr. Hall
6 passed out a revised set of exhibits for this well which will
7 reflect some additional leases that were picked up between
8 the time of the filing of the application and today.

9 BILL HARRIS: Okay, fine.

10

11 DON HALL

12 having been duly sworn, was examined and testified as
13 follows:

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KISER:

16 Q. Mr. Hall, if you could please state your
17 name for the Board, who you're employed by and in what
18 capacity?

19 A. My name is Don Hall. I'm employed by
20 Equitable Production Company as District Landman.

21 Q. And do your responsibilities with Equitable
22 include the land involved in this unit and in the surrounding
23 area?

24

--

1 A. They do.

2 Q. And you're familiar with the application we
3 filed seeking the establishment of a unit and pooling any
4 unleased interest within that unit for EPC well number V-
5 536128, which was dated September the 17th, 2004?

6 A. Yes.

7 Q. And is Equitable seeking to force pool the
8 rights underlying the unit...the drilling unit as depicted at
9 Exhibit A, that being the plat to the application?

10 A. Yes.

11 Q. Does Equitable own drilling rights in the
12 unit here?

13 A. We do.

14 Q. And prior to filing the application, were
15 efforts made to contact each of the respondents within the
16 unit and an attempt made to work out a voluntary lease
17 agreement with each of them?

18 A. Yes.

19 Q. Okay, now, the interest of Equitable in
20 the...this is a conventional well, in the gas estate within
21 the unit at the time of the application was 99.41142599, is
22 that correct?

23 A. That's correct.

24

1 Q. Okay. And since...as we testified, or as I
2 stated earlier, since the time of the filing of the
3 application, you have continued to attempt to reach voluntary
4 agreements with unleased parties and apparently you have
5 picked up several new leases?

6 A. Yes, that's reflected in Exhibit B-2 in the
7 new set of exhibits that I passed out. Those are the parties
8 that we've leased since...since the application.

9 Q. Okay, so now the interest of Equitable under
10 lease within the unit is 99.49744534, is that correct?

11 A. That's correct.

12 Q. Okay. And all of the unleased parties that
13 remain are set out at your revised Exhibit B-3?

14 A. Yes.

15 Q. Okay. And what is the interest that is...
16 remains unleased at this point in time?

17 A. .50255466%.

18 Q. Okay.

19 DON HALL: Excuse me, what is the exhibit I gave
20 you? I think I gave you the wrong one.

21 BILL HARRIS: Yeah, I'm looking for these numbers.
22 I don't see them. We have VC-535618.

23 JIM KISER: Yeah, you've 618 instead of 6128.

24

--

1 BILL HARRIS: Yeah.

2 DON HALL: Yeah. Just hang on to that one. You're
3 going to need it in a minute anyway.

4 BILL HARRIS: Okay, because I kept looking for
5 percentages.

6 JIM KISER: The testimony is accurate. The
7 exhibits are wrong.

8 BILL HARRIS: Right, okay.

9 JIM KISER: Correct.

10 DON HALL: Correct.

11 BILL HARRIS: Okay. We'll take a moment to correct
12 those exhibits.

13 DON HALL: I was looking for those numbers too and
14 couldn't find them.

15 JIM KISER: Don is a little dyslexic.

16 BILL HARRIS: Well, I just...yeah.

17 (Don Hall passes out an exhibit.)

18 JIM KISER: 6128 and 618.

19 BILL HARRIS: Yes.

20 DONALD RATLIFF: It has been a real test today.

21 BILL HARRIS: Oh, yes, it has. Yeah. Okay, now.

22 JIM KISER: All right, now that you have that
23 packet---.

24

1 BILL HARRIS: Yeah, let's just---.

2 JIM KISER: --- take a look at B-2.

3 BILL HARRIS: I still don't see a B-2. Yeah, I
4 still don't see a B-2. Oh, the last page.

5 JIM KISER: Those are the four additional leases
6 that were picked up since the date of the application---.

7 BILL HARRIS: Okay. The last page---.

8 JIM KISER: ---where they're dismissed parties.

9 BILL HARRIS: ---is B-2, okay. And these were the
10 four...I'm sorry, these---?

11 JIM KISER: Those are the four additional leases
12 that have been picked up since the date of the filing of the
13 application.

14 BILL HARRIS: Of the application, okay.

15 JIM KISER: Which brings us to the percentages of
16 leased and unleased that we testified to earlier. That's
17 still correct.

18 BILL HARRIS: Let's just check just for a second.
19 Is everyone clear on the percentages and where we are?

20 (No audible response.)

21 BILL HARRIS: Okay, thank you. You can continue.

22 Q. Okay. This particular unit does not have
23 any unknown or unlocateable owners, is that correct?
24

1 A. That's correct.

2 Q. And, in your professional opinion, did you
3 exercise due diligence to locate each of the respondents
4 named herein?

5 A. Yes.

6 Q. And are the addresses set out in the revised
7 Exhibit B the last known addresses for the respondents?

8 A. They are.

9 Q. And are you requesting this Board to force
10 pool all the unleased interests as listed at Revised Exhibit
11 B-3?

12 A. Yes.

13 Q. Now, are you familiar with the fair market
14 value of drilling rights in the unit here and in the
15 surrounding area?

16 A. Yes.

17 Q. Could you advise the Board as to what those
18 are?

19 A. A five dollar bonus and a five year term
20 with a one-eighth royalty.

21 Q. And, in your opinion, do the terms you just
22 testified to represent the fair market value of and the fair
23 and reasonable compensation to paid for drilling rights
24

1 within this unit?

2 A. They do.

3 Q. Now as to the respondents who remain
4 unleased and are listed at Revised Exhibit B-3, do you...do
5 you...should they be allowed the following options with
6 respect to their statutory election options for their
7 ownership interest within the unit: one, participation; two,
8 a cash bonus of five dollars per net mineral acre, plus a
9 one-eighth of eight-eighths royalty; or three, in lieu of a
10 cash bonus and a one-eighth of eight-eighths royalty, share
11 in the operation of the well on a carried basis as a carried
12 operator under the following conditions: Such carried
13 operator shall be entitled to the share of production from
14 the tracts pooled accruing to his interest exclusive of any
15 royalty or overriding royalty reserved in any leases,
16 assignments thereof, or agreements relating thereto of such
17 tracts but only after the proceeds applicable to his or her
18 share equal, A), 300% of the share of such cost applicable to
19 the interest of a carried operator of a leased tract or
20 portion thereof; or B), 200% of the share of such cost
21 applicable to the interest of the carried operator of an
22 unleased tract or portion thereof?

23 A. Yes.

24

--

1 Q. Do you recommend that the order provide that
2 the elections by respondents be in writing and sent to the
3 applicant at Equitable Production Company, 1710 Pennsylvania
4 Avenue, Charleston, West Virginia 25328, attention Melanie
5 Freeman, Regulatory?

6 A. Yes.

7 Q. Should this be the address for all
8 communications with the applicant concerning any force
9 pooling order?

10 A. It should.

11 Q. Do you recommend that the order provide that
12 if no written election is promptly made by a respondent, then
13 such respondent should be deemed to have elected the cash
14 option, in other words deemed to have leased in lieu of
15 participation?

16 A. Yes.

17 Q. Should unleased respondents be given 30 days
18 from the execution of the Board order to file their written
19 elections?

20 A. Yes.

21 Q. If an unleased respondent elects to
22 participate, should they be given 45 days to pay for their
23 proportionate share of well costs?

24

--

1 A. Yes.

2 Q. Does the applicant expect the party electing
3 to participate to pay in advance that party's share of
4 completed well cost?

5 A. We do.

6 Q. Should the applicant be allowed 120 days
7 following the recording of the Board order, and thereafter
8 annually on that date until production is achieved, to pay or
9 tender any cash bonus or delay rental becoming due under the
10 force pooling order?

11 A. Yes.

12 Q. Do you recommend that the order provide that
13 if the respondent elects to participate but fails to pay
14 their proportionate share of well costs to the applicant,
15 then the respondent's election to participate should be
16 treated as having been withdrawn and void, and such
17 respondent should be treated just as if no initial election
18 had been filed, in other words, again, deemed to be leased?

19 A. Yes.

20 Q. Do you recommend that the order provide that
21 where a respondent elects to participate but defaults in
22 regard to the payment of well costs, any cash sum becoming
23 payable to that respondent be paid within 60 days after the
24

1 last date on which such respondent could have paid or should
2 have made satisfactory arrangements for the payment of those
3 well costs?

4 A. Yes.

5 Q. Okay, we don't...this is a conventional well
6 and we don't have any unknown unlocateable owners. So the
7 Board does not need to establish an escrow account for this
8 unit, is that correct?

9 A. That's correct.

10 Q. And who should be named operator under any
11 force pooling order?

12 A. Equitable Production Company.

13 Q. And what is the total depth of the proposed
14 well under this applicant's plan of development?

15 A. 6362 feet.

16 Q. Estimated reserves for the unit?

17 A. 400 million cubic feet.

18 Q. Has an AFE been reviewed, signed and
19 submitted to the Board as Exhibit C to the application?

20 A. It has.

21 Q. Was the AFE prepared by an engineering
22 department knowledgeable in the preparation of AFEs and
23 knowledgeable in particular to well costs in this area?

24

--

1 A. Yes.

2 Q. In your opinion, does the AFE represent a
3 reasonable estimate of the well costs?

4 A. It does.

5 Q. Could you state both the dry hole costs and
6 the completed well costs?

7 A. The dry hole cost is \$230,892 and the
8 completed well cost is \$418,326.

9 Q. Do these costs anticipate a multiple
10 completion?

11 A. They do.

12 Q. Does your AFE include a reasonable charge
13 for supervision?

14 A. Yes.

15 Q. In your professional opinion, would the
16 granting of this application be in the best interest of
17 conservation, the prevention of waste and the protection of
18 correlative rights?

19 A. Yes.

20 JIM KISER: Nothing further of this witness at this
21 time, Mr. Chairman.

22 BILL HARRIS: Thank you. Any questions from the
23 Board members?

24

--

1 (No audible response.)

2 BILL HARRIS: Okay, you may continue.

3 JIM KISER: We'd ask that the application be

4 approved as submitted with the revised set of exhibits.

5 DONALD RATLIFF: So moved, Mr. Chairman.

6 JIM MCINTYRE: Second.

7 DONALD RATLIFF: Moved and seconded. Is there any

8 further discussion?

9 (No audible response.)

10 BILL HARRIS: All in favor of the motion for

11 approval, say aye.

12 (All members signify by saying aye.)

13 BILL HARRIS: Opposed, like sign.

14 (No audible response.)

15 BILL HARRIS: Thank you. It's approved. Our next

16 item is a petition from Equitable Production Company for

17 pooling of coalbed methane of unit VC-535617, Ervington

18 District, Dickenson County, Virginia, docket number VGOB-04-

19 10/19-1351. We'd ask all parties who wish to speak to this

20 petition to please come forward and identify themselves.

21 JIM KISER: Mr. Chairman and Board members, Jim

22 Kiser and Don Hall again on behalf of Equitable Production

23 Company. Again, we have a set of revised exhibits and we

24

1 picked up in this particular case quiet a few new leases
2 since the filing of the application.

3 (Don Hall passes out exhibits.)

4 DON HALL: And I did give you the correct one this
5 time.

6 BILL HARRIS: Yes, 17.

7 JIM KISER: Check for the number 535617.

8 BILL HARRIS: 617. Okay, you may proceed.

9

10

11 DON HALL

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. KISER:

14 Q. Okay. Mr. Hall, again state your name, who
15 you're employed by and in what capacity?

16 A. My name is Don Hall. I'm employed by
17 Equitable Production Company as District Landman.

18 Q. And you're familiar with the application we
19 filed seeking a pooling order for EPC well number VC-535617,
20 which was dated September 17th, 2004?

21 A. Yes.

22 Q. And is Equitable seeking to force pool any
23 unleased drilling rights underlying the unit as depicted at
24

--

1 Exhibit A, that being the plat to the application?

2 A. We are.

3 Q. And does Equitable own drilling rights in
4 the unit involved here?

5 A. We do.

6 Q. Now prior to the filing of the application,
7 did you attempt to make a...contact with and obtain a
8 voluntary lease from each of the interest owners within this
9 unit?

10 A. Yes.

11 Q. What is the interest of Equitable under
12 lease in the gas estate within the unit?

13 A. We currently have 98.295911% leased.

14 Q. No, no, the gas estate.

15 A. Oh, the gas estate we have a 100% leased.

16 Q. And the interest of Equitable in the coal
17 estate at the time of application was 97.5 to the 6th, and
18 since the filing of the application, you continued your due
19 diligence to attempt to obtain a voluntary unit and as such
20 owners of the coal estate picked up, I want to say, maybe
21 another dozen leases?

22 A. We picked up---.

23 Q. It should be depicted on B-2.

24

1 A. As shown B-2 we picked up, yeah,
2 approximately, yeah,---.

3 BILL HARRIS: And that's at the end.

4 A. ---another dozen leases.

5 Q. Twelve additional leases?

6 A. Uh-huh.

7 Q. And do you now at this point in time, as of
8 the hearing, the interest of Equitable that is in the coal
9 estate that's under lease in the unit is 98.295911, is that
10 correct?

11 A. That's correct.

12 Q. Okay. And all the unleased parties that
13 remain in the coal estate are set out in revised Exhibit B-3?

14 A. That's correct.

15 Q. So, at this point in time, the percentage of
16 the coal estate that remains unleased, the gas estate is
17 100% leased but the percentage of the coal estate remains
18 unleased is 1.704089?

19 A. That's correct.

20 JIM KISER: Any questions on any of that before I
21 go on?

22 BILL HARRIS: No, I think...oh, I'm sorry, Board
23 members?

24

--

1 (No audible response.)

2 BILL HARRIS: I didn't have any questions. Fine,
3 you may continue.

4 Q. Again, in this particular unit, we do have
5 some unknown owners. So, in your professional opinion,
6 you've exercised due diligence to locate each of the
7 respondents named in these exhibits?

8 A. That's correct.

9 Q. And are the addresses set out in Exhibit B
10 to the application the last known addresses for the
11 respondents?

12 A. They are.

13 Q. And are you requesting the Board to force
14 pool all unleased interest listed at our revised Exhibit B-3?

15 A. Yes.

16 Q. And, again, are you familiar with the fair
17 market value of drilling rights in this unit and in the
18 surrounding area?

19 A. Yes.

20 Q. Could you advise the Board as to what those
21 are?

22 A. A five dollar bonus with a five year term
23 with a one-eighth royalty.

24

--

1 Q. And in your professional opinion, do the
2 terms you've just testified to represent fair and reasonable
3 compensation to be paid for drilling rights in this unit?

4 A. They do.

5 JIM KISER: Now, Mr. Chairman and Board members, as
6 to the election options afforded the unleased parties and
7 their different time periods in which to make those elections
8 and the ramifications of such, the testimony that was taken
9 in a previous hearing, which was VGOB docket number 04-10/19-
10 1350, we'd ask that that be incorporated into this hearing.

11 BILL HARRIS: That will be incorporated.

12 Q. Mr. Hall, in this particular unit case, we
13 do have a conflicting claim under Tract 2. So, the Board
14 does need to establish an escrow account for Tract 2, is that
15 correct?

16 A. That's correct.

17 Q. And who should be named the operator under
18 any force pooling order?

19 A. Equitable Production Company.

20 Q. And what's the proposed depth of this well?

21 A. 1995 feet.

22 Q. And the estimated reserves?

23 A. 250 million cubic feet.

24

--

1 Q. And an AFE has been reviewed, signed, and
2 submitted to the Board as Exhibit C to our application?

3 A. Yes.

4 Q. In your opinion, does it represent a
5 reasonable estimate of the well costs?

6 A. It does.

7 Q. And could you state for the Board both the
8 dry hole costs and completed well costs for this well?

9 A. The dry hole cost is \$117,114 and the
10 completed well cost is \$255,667.

11 Q. Do these costs anticipate a multiple
12 completion?

13 A. They do.

14 Q. Does your AFE include a reasonable charge
15 for supervision?

16 A. Yes, sir.

17 Q. In your professional opinion, would the
18 granting of this application be in the best interest of
19 conservation, the prevention of waste and the protection of
20 correlative rights?

21 A. It does.

22 JIM KISER: Nothing further of this witness at this
23 time, Mr. Chairman.

24

1 BILL HARRIS: Thank you. Board members, any
2 questions?
3 (No audible response.)
4 BILL HARRIS: Do you have anything further?
5 JIM KISER: We'd ask that the application be
6 approved as submitted with the revised package of exhibits.
7 JIM McINTYRE: Motion to approve.
8 PEGGY BARBAR: Second.
9 BILL HARRIS: It has been moved and seconded to
10 approve the petition. Any further discussion?
11 (No audible response.)
12 BILL HARRIS: All in favor, say aye.
13 (All members signify by saying aye, but Donald
14 Ratliff.)
15 BILL HARRIS: Opposed, like sign.
16 DONALD RATLIFF: To avoid the appearance of
17 conflict, I'll abstain, Mr. Chairman.
18 BILL HARRIS: One abstention. Thank you. Petition
19 passed or motion passed. Petition is approved. Our next
20 item, a petition from Equitable Production Company for
21 pooling of coalbed methane unit VC-535618, Ervington
22 District, Dickenson County, Virginia, docket number VGOB-04-
23 10/19-1352. We'd ask all parties who wish to speak to this
24

1 matter please come before the Board.

2 BOB WILSON: Mr. Chairman.

3 BILL HARRIS: Yes.

4 BOB WILSON: I'd call the Board members attention
5 to a letter that should be...had been included in the mailing
6 that you received from Mr. Terry D. Ball regarding the
7 pooling applications.

8 BILL HARRIS: Yes.

9 BOB WILSON: This is item seventeen. There should
10 be a letter in there.

11 (Board members confers.)

12 BILL HARRIS: Yeah, he's objecting to the pooling
13 of his interest.

14 BOB WILSON: Also I refer to the Board...refer the
15 Board to a letter dated September the 28th, 2004, which I
16 wrote to Mr. Ball, informing him that he...his notification
17 gave him standing to appear before the Board.

18 JIM KISER: Uh-huh. Do you want to address the
19 letter before we get into our testimony?

20 BILL HARRIS: I guess maybe we should do that.

21 JIM KISER: Mr. Ball is obviously not here. As
22 you'll see, he...he has a ownership in the coal estate in
23 both Tracts 1 and 7 in this well. For whatever reason, he
24

1 thinks he also has an ownership in the gas estate. My firm
2 did title work on both of those tracts, and we determined
3 that he doesn't own any interest in the gas. Mr. Rasnake,
4 who is here if we need him, is one of Equitable's field
5 landmen, I think he concurs with that and has worked
6 extensively with Mr. Ball trying to get a voluntary agreement
7 with him. We've been trying to lease him for, gosh, I want
8 to say ten years or more and has not been successful. We've
9 made him, I guess what we feel, an extremely reasonable
10 offers to lease his property and have been unable to do so.
11 I think, given permission from my client, if he should like
12 to see a copy of our opinion where we've determined that he
13 owns an interest in the coal but not the gas, we'd be more
14 than happy to provide that to him. Other than that, since
15 he's not here to state his case, I would like to just go
16 ahead with our testimony.

17 BILL HARRIS: Let me just...just give me a moment
18 here.

19 (Bill Harris continues to review the letter.)

20 BILL HARRIS: See, there's no way for us to
21 substantiate the claim though.

22 JIM KISER: Yeah, it's a title question.

23 BILL HARRIS: Yes.

24

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1 JIM KISER: It's something you wouldn't have
2 jurisdiction over anyway.

3 BILL HARRIS: Yeah, we...Mr. Wilson, do you have
4 any other comments or questions or---?

5 BOB WILSON: No, sir.

6 BILL HARRIS: Okay. I guess we'll continue since--
7 -.

8 DONALD RATLIFF: Mr. Chairman.

9 BILL HARRIS: Yes.

10 DONALD RATLIFF: How did he get his name on this
11 sheet? This appears to be---.

12 BILL HARRIS: Are you referring to the Exhibit 8?

13 DONALD RATLIFF: ---referring to the gas estate.

14 BILL HARRIS: Oh, I'm sorry.

15 JIM KISER: That's another well. He does own the
16 gas interest in some tracts.

17 DONALD RATLIFF: Oh.

18 JIM KISER: That's a well that we'd previously
19 force pooled.

20 DONALD RATLIFF: Okay.

21 JIM KISER: It's a different tract. Some tracts he
22 owns both the oil, gas and coal and some tracts he just owns
23 the coal.

24

1 DON HALL: As a matter of a fact, we've got
2 another...another well coming up which he owns the gas.

3 JIM KISER: Yeah, in which you have today.

4 DON HALL: Right.

5 BILL HARRIS: Well, I think we'll just go ahead and
6 continue with the...with this, okay.

7

8

9

10 DON HALL

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KISER:

13 Q. Okay. Mr. Hall, if you'd again state your
14 name for the record, who you're employed by and in what
15 capacity?

16 A. Don Hall. I'm employed by Equitable
17 Production Company as District Landman.

18 Q. And you're familiar with the application we
19 filed seeking to pool any unleased interest in the unit for
20 EPC well number VC-535618, which was dated September 17th,
21 2004?

22 A. Yes.

23 Q. And does Equitable own drilling rights in
24

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1 the unit involved here?

2 A. We do.

3 Q. Now, prior to the filing of the application,
4 were efforts made to contact each of the respondents who
5 owned an interest within the unit and an attempt made to work
6 a voluntary lease agreement with each?

7 A. Yes.

8 Q. And what is the interest of Equitable within
9 the gas estate in the unit?

10 A. Within the gas estate, we have 98.5% leased.

11 Q. Right. And at the time of the filing of the
12 application, the percentage of the coal estate which was
13 under lease was 83.02088858?

14 A. Yes, sir.

15 Q. And since that time you've, again, continued
16 to attempt to reach voluntary lease agreements. And I think
17 the same twelve folks who we obtained leases from in the
18 previous hearing are also involved in this unit?

19 A. That's correct.

20 Q. So that now brings the current percentage of
21 the coal estate that's leased within the unit to 88.294454?

22 A. That's correct.

23 Q. Okay. And are all the unleased parties set
24

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1 out at Exhibit...at revised Exhibit B-3?

2 A. They are.

3 Q. Are you familiar with the ownership of
4 drilling rights of parties other than Equitable underlying
5 this unit, in particular the percentage of the coal estate
6 that remains unleased at this time?

7 A. Yes.

8 Q. And what percentage is that?

9 A. 1.5%.

10 Q. 1.5% of the gas estate is unleased. How
11 much of the coal estate is unleased?

12 A. The coal estate is 11.705546%.

13 Q. Okay. Again, we do not have any unknown or
14 unlocateable interest owners in either gas or the coal
15 estate, is that correct?

16 A. That's correct.

17 Q. In your professional opinion, was due
18 diligence exercised to locate each of the respondents named
19 in the exhibits?

20 A. Yes.

21 Q. And are the addresses set out in revised
22 Exhibit B to the application the last known addresses for the
23 respondents?

24

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1 A. They are.

2 Q. And are you requesting this Board to force
3 pool all unleased interest listed at our revised Exhibit B-3?

4 A. Yes.

5 Q. And, again, are you familiar with the fair
6 market value of drilling rights in this unit and in the
7 surrounding area?

8 A. Yes.

9 Q. Could you advise the Board as to what those
10 are?

11 A. A five dollar bonus and a five year term
12 with a one-eighth royalty.

13 Q. In your professional opinion, do the terms
14 you've just testified to represent the fair market value of
15 and the fair and reasonable compensation to be paid for
16 drilling rights within this unit?

17 A. They do.

18 JIM KISER: Again, Mr. Chairman, we'd ask that the
19 testimony regarding elections and the time periods in which
20 to make those that was previously taken in our first hearing
21 today be incorporated here.

22 BILL HARRIS: It will be incorporated.

23 (Don Hall and Jim Kiser confer.)

24

1 Q. In this particular case, Mr. Hall, we do
2 have some conflicting claims?
3 A. Yes, sir.
4 Q. And so, therefore, the Board does need to
5 establish a escrow account in accordance with our Exhibit E,
6 which would cover Tracts 1 and 7 in the unit?
7 A. That's correct.
8 Q. And who should be named the operator under
9 any force pooling order?
10 A. Equitable Production Company.
11 Q. And what is the total depth of the proposed
12 well?
13 A. 2197 feet.
14 Q. The estimated reserves for the unit?
15 A. 300 million cubic feet.
16 Q. Has an AFE been reviewed, signed, and
17 submitted to the Board as Exhibit C?
18 A. It has.
19 Q. In your professional opinion, does it
20 represent a reasonable estimate of the well costs?
21 A. Yes, sir.
22 Q. Could you state for the Board what those
23 costs are?
24

1 A. The dry hole cost is \$97,485 and the
2 completed well cost is \$230,003.

3 Q. Do these costs anticipate a multiple
4 completion?

5 A. They do.

6 Q. Does your AFE include a reasonable charge
7 for supervision?

8 A. Yes.

9 Q. In your professional opinion, would the
10 granting of this application be in the best interest of
11 conservation, the prevention of waste and the protection of
12 correlative rights?

13 A. It would.

14 JIM KISER: Nothing further of this witness at this
15 time, Mr. Chairman.

16 BILL HARRIS: Members of the Board, any questions?
17 (No audible response.)

18 BILL HARRIS: Do you have anything further?

19 JIM KISER: We'd ask that the application be
20 approved as submitted, Mr. Chairman, with the revised package
21 of exhibits.

22 BILL HARRIS: Do we have a motion with regard to
23 this?

24

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1 JIM MCINTYRE: Motion to approve.

2 BILL HARRIS: Okay.

3 PEGGY BARBAR: Second.

4 BILL HARRIS: It has be seconded. Any further
5 discussion?

6 (No audible response.)

7 BILL HARRIS: All in favor for approval, say aye.

8 (All members signify by saying aye, but Donald
9 Ratliff.)

10 BILL HARRIS: Opposed, like sign.

11 DONALD RATLIFF: I'll abstain, Mr. Chairman.

12 BILL HARRIS: Okay, one abstention. Thank you.

13 It's approved. The next item is a petition from Equitable
14 Production Company for pooling of conventional gas unit V-
15 507920, North Grundy District, Buchanan County, Virginia,
16 docket number VGOB-04-10/19-1353. We'd ask the parties that
17 wish to speak to this matter come forward.

18 JIM KISER: Mr. Chairman, at this time I'd ask the
19 Board's permission to also call the next item and combine
20 these two matters that involve the exact same parties. And
21 the reason that we're having to pool is the exact same
22 reason.

23 BILL HARRIS: That's item number nineteen, a
24

1 petition from Equitable Production Company for pooling of
2 conventional gas unit V-507926, Garden District, Buchanan
3 County, Virginia, docket number VGOB-04-10/19-1354. Again,
4 we'd ask all parties to come forward who wish to speak to
5 that matter.

6 JIM KISER: As a matter of housecleaning on these
7 two, you did receive prior to today, probably maybe a week or
8 so...I'm not exactly for sure of the date, after the filing
9 of the application, you did receive revised exhibits on
10 these. We changed some interest in accordance with a
11 division order within a lease, basically. Then we changed
12 the Lon B. Rogers/Bradshaw Trust is now L. B... ---.

13 DON HALL: L.B.R. Holdings.

14 JIM KISER: ---L.B.R. Holdings, LLC. So you've got
15 some changes in those exhibits which should be in your files
16 that were made---.

17 DON HALL: They have a revised date of 9/28.

18 JIM KISER: ---9/28. So they were made ten days
19 subsequent to the filing of the applications.

20 BILL HARRIS: Yes. We have one stamped revision.
21 Yeah.

22 JIM KISER: Both of these wells, both 507926 and
23 507920 we have maybe...it's a little bit different, we
24

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1 have...they're conventional wells. We have a 100% of the
2 interest under lease. It is an old lease. It's similar to
3 what we did last month and then I think maybe several months
4 prior to that. The reason we're here having to pool is
5 because the lease does not contain a pooling clause, which is
6 not unusual for leases taken in the '30s and '40s. So,
7 therefore, we do have a 100% of it leased, but we need to get
8 a...some governmental authority to be able to pool these
9 people to form this unit and since they are subject to the
10 Board order, they will be entitled to their statutory
11 elections and will receive election letters and copies of the
12 order.

13 DON HALL: We have a voluntary pooling order from--
14 -.

15 JIM KISER: Yeah, we have a voluntary pooling order
16 from the L. B. R., the Lon Rogers Trust. But these other
17 folks as you...I know that some of you that have been on the
18 Board for a while, you've seen us pool them on numerous
19 occasions, they're all cousins and we can't...we never can
20 get any response out of them on anything. So, it's not a
21 conventional...it's a conventional well, but not a
22 conventional pooling that we're here for on these two. So, I
23 don't...I'm not really going to go through all the testimony
24

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1 unless you think it's necessary. What we're seeking here is
2 authority of the Board to allow us to pool and to protect the
3 correlative rights of everybody. We did this last month
4 on...I can't remember who it was. I've done it several times
5 for other clients. Maybe that's who we did it on, CNR last
6 month.

7 BILL HARRIS: Are there any questions about that?

8 (No audible response.)

9 BILL HARRIS: So you're asking us then for approval
10 to---?

11 JIM KISER: We're asking...we're asking for a
12 pooling order pooling all the interest that we have listed in
13 this...creating the...first of all, establishing the unit in
14 accordance with statewide spacing. Then second of all,
15 pooling these interest that we have asterisks beside that we
16 do have a lease agreement from but no right to pool within
17 the lease.

18 DONALD RATLIFF: I'll make the motion to allow them
19 to do that, Mr. Chairman.

20 BILL HARRIS: Okay.

21 PEGGY BARBAR: I'll second it.

22 BILL HARRIS: Okay. Any further discussion or
23 questions from the Board members?

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1 (No audible response.)

2 BILL HARRIS: All in favor of that...now is this
3 for both---?

4 DONALD RATLIFF: Yes.

5 BILL HARRIS: ---cases? Okay. All in favor of
6 that motion, say aye.

7 (All members signify by saying aye.)

8 BILL HARRIS: Oppose, like sign.

9 (No audible response.)

10 BILL HARRIS: Thank you. Okay, those are approved.
11 The next item, a petition from Equitable Production Company
12 for pooling of coalbed methane unit VC-535914, Ervington
13 District, Dickenson County, Virginia, docket number VGOB-04-
14 10...I'm sorry...yeah, 10/19-1355. We'd ask all parties who
15 wish to speak to this matter to come forward.

16 JIM KISER: No revised exhibits for this one, Mr.
17 Chairman. Again, Jim Kiser and Don Hall on behalf of
18 Equitable. I think our only unleased party in this
19 particular case is Mr. Ball again.

20 DON HALL: That's correct.

21 JIM KISER: And in this particular case,---.

22 DON HALL: He owns both.

23 JIM KISER: ---yeah, he owns both the gas and the
24

1 coal estate.

2

3

DON HALL

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. KISER:

6 Q. Now, Mr. Hall, again, state your name for
7 the record, who you're employed by and in what capacity?

8 A. Don Hall. I'm employed by Equitable
9 Production Company as District Landman.

10 Q. And you're familiar with the application we
11 filed seeking to pool any unleased interest in the unit for
12 EPC well number VC-535914 dated September the 17th, 2004?

13 A. Yes.

14 Q. And does Equitable own drilling rights in
15 the unit involved here?

16 A. We do.

17 Q. Now prior to filing this application, were
18 efforts made to contact each of the respondents having an
19 interest in the unit and an attempt made to work a voluntary
20 lease agreement with each?

21 A. Yes, sir.

22 Q. And what is the interest of Equitable under
23 lease in the gas estate within the unit?

24

--

1 A. We have 74.051478% of the gas unit and the
2 coal unit.

3 Q. Okay.

4 A. Both the same interest.

5 Q. And are all the unleased parties set out in
6 Exhibit B-3?

7 A. They are.

8 Q. And what is the interest in both the gas and
9 coal estates that remains unleased?

10 A. 25.948522%.

11 Q. And that represents Mr. Ball's interest in
12 Tract 1, I believe it is?

13 A. That's correct.

14 Q. Okay. Okay, and again we don't have any
15 unknown or unlocateable interest owners, correct?

16 A. That's correct.

17 Q. So, in your professional opinion, due
18 diligence was exercised to locate each of the respondents
19 named?

20 A. It was.

21 Q. And the addresses set out in Exhibit B to
22 the application are the last known addresses for the
23 respondents?

24

1 A. Yes.

2 Q. Are you requesting this Board to force pool
3 all unleased interest listed at Exhibit B-3?

4 A. Yes.

5 Q. And, again, are you familiar with the fair
6 market value of drilling rights in this unit here and in the
7 surrounding area?

8 A. Yes.

9 Q. Could you advise the Board as to what those
10 are?

11 A. A five dollar bonus with a five year term
12 with a one-eighth royalty.

13 Q. In your opinion, do the terms you've just
14 testified to represent the fair market value of and the fair
15 and reasonable compensation to be paid for drilling rights
16 within this unit?

17 A. They do.

18 JIM KISER: Again, Mr. Chairman, if we could
19 incorporate the testimony regarding the statutory elections
20 options afforded the unleased party and his time period in
21 which to make them and the implications thereof taken in our
22 first hearing today.

23 BILL HARRIS: It will be incorporated.

24

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1 (Don Hall and Jim Kiser confer.)

2 Q. Okay. So, we don't have any conflicting
3 claims. We don't have any unknown unlocateable owners. So
4 for this particular unit, the Board does not need to
5 establish an escrow account, is that true?

6 A. That's true.

7 Q. And who should be named the operator under
8 any pooling order?

9 A. Equitable Production Company.

10 Q. And what is the total depth of this proposed
11 well?

12 A. 2100 feet.

13 Q. And the estimated reserves for the unit?

14 A. 275 million cubic feet.

15 Q. And did we prepare a AFE that's been signed
16 and submitted to the Board as Exhibit C to the application?

17 A. Yes, sir.

18 Q. In your opinion, does it represent a
19 reasonable estimate of the well costs for this well?

20 A. It does.

21 Q. Could you state what those are?

22 A. The dry hole cost is \$116,084 and the
23 completed well cost is \$250,140.

24

1 Q. Do these costs anticipate a multiple
2 completion?
3 A. They do.
4 Q. Does your AFE include a reasonable charge
5 for supervision?
6 A. Yes.
7 Q. In your professional opinion, would the
8 granting of this application be in the best interest of
9 conservation, the prevention of waste and the protection of
10 correlative rights?
11 A. Yes.
12 JIM KISER: Nothing further of this witness at this
13 time, Mr. Chairman.
14 BILL HARRIS: Thank you. Any questions from Board
15 members?
16 (No audible response.)
17 BILL HARRIS: Anything further?
18 JIM KISER: We'd ask that this application be
19 approved as submitted.
20 BILL HARRIS: Thank you. Do we have a motion or
21 discussion?
22 JIM McINTYRE: Motion to approve.
23 BILL HARRIS: Okay. We have a motion. Do we have
24

1 a second?

2 PEGGY BARBAR: Second.

3 BILL HARRIS: Thank you. We have a second. It has
4 been moved and seconded that we approve this petition. Any
5 further questions?

6 (No audible response.)

7 BILL HARRIS: All in favor, say aye.

8 (All members signify by saying aye except Donald
9 Ratliff.)

10 BILL HARRIS: Opposed like sign.

11 (No audible response.)

12 BILL HARRIS: Thank you. Motion passed.

13 DONALD RATLIFF: I'll abstain, Mr. Chairman, to
14 avoid any question of conflict.

15 BILL HARRIS: Thank you. One abstention. Okay,
16 our next item is a petition from Equitable Production Company
17 for creation and pooling of conventional gas unit V-505249,
18 Kennedy District, Dickenson County, Virginia, docket number
19 VGOB-04-10/19-1356. We'd ask all parties who wish to speak
20 to the Board pertaining to this matter please come forward.

21 JIM KISER: Mr. Chairman and Board members, again,
22 Jim Kiser and Don Hall on behalf of Equitable Production
23 Company. We do have, again, a revised package of exhibits.

24

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1 (Don Hall passes out exhibits.)

2 JIM KISER: Again, we picked up since the time of
3 the filing of the application two additional leases which
4 you'll see noted on your last page of your revised package,
5 that being our Exhibit B-2. Maybe since this will be our
6 last force pooling of the day, I'll just put a plug in for
7 Equitable and point out to the Board that out of these six or
8 seven poolings, I think at least five of them we picked up
9 additional leases from the date of the filing of the
10 application to the hearing, which shows that there's
11 certainly taking the charge of the Board to continue to try
12 to pick up voluntary leases from these people to avoid having
13 to have force pooling hearings, seriously. So---.

14 BILL HARRIS: Yeah. And we do appreciate those
15 efforts.

16 JIM KISER: I had to get that on the record.

17

18 DON HALL

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KISER:

21 Q. Mr. Hall, if you could state your name
22 again, who you're employed by and in what capacity?

23 A. My name is Don Hall. I'm employed by

24

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1 Equitable Production Company as District Landman.

2 Q. And you're familiar with the application,
3 this is a conventional well that we filed, seeking to create
4 this unit under statewide spacing and pooling any unleased
5 interest?

6 A. Yes, sir.

7 Q. And does Equitable own drilling rights in
8 the unit involved here?

9 A. We do.

10 Q. And at the time that we filed the
11 application, we had 99.9539% under lease, is that correct?

12 A. That's correct.

13 Q. And since that time, as I just testified or
14 stated, you picked up two additional leases on some really
15 tiny interest. So with that addition, what does that bring
16 the lease percentage to?

17 A. It brings it all the way up to 99.95667%.

18 Q. Okay. And are the unleased parties set out
19 in revised Exhibit B-3?

20 A. They are.

21 Q. And if I'm not mistaken, I think most of
22 those are unknown owners aren't they?

23 A. Several of them are, yes.

24

--

1 Q. Yeah. And so what is the interest that
2 remains unleased within the unit?

3 A. .04333%.

4 Q. Okay. And since we have some unknown
5 unlocateable interest owners, I have to ask you this
6 question, were reasonable and diligent efforts made and
7 sources checked to identify and locate any unknown owners
8 including primary sources such as deed records, probate
9 records, assessor's records, treasurer's records, and
10 secondary sources such as telephone directories, city
11 directories, family and friends?

12 A. Yes.

13 Q. So, in your professional opinion, you
14 exercised due diligence to locate each of these respondents?

15 A. Yes, sir.

16 Q. And are the addresses set out in revised
17 Exhibit B to the application the last known addresses for the
18 respondents?

19 A. They are.

20 Q. Are you requesting this Board to force pool
21 all unleased interest listed at revised Exhibit B-3?

22 A. Yes, sir.

23 Q. And, again, you're familiar with the fair
24

1 market value of drilling rights for this unit and this
2 surrounding area?

3 A. Yes, sir.

4 Q. Could you advise the Board as to what those
5 are?

6 A. A five dollar bonus with a five year term
7 with a one-eighth royalty.

8 Q. In your professional opinion, do the terms
9 you've just testified to represent the fair market value of
10 and the fair and reasonable compensation to be paid for
11 drilling rights within this unit?

12 A. They do.

13 JIM KISER: Now Mr. Chairman, again, we'd ask that
14 the testimony regarding election options afforded unleased
15 parties be incorporated.

16 BILL HARRIS: That will be incorporated.

17 Q. Okay. Now, we do need an escrow account for
18 this particular well---?

19 A. Yes.

20 Q. ---in accordance with Exhibit E that was
21 filed with the application...or the revised Exhibit E that
22 was filed with the application due to the inclusion of
23 unknown and unlocateable interest owners?

24

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1 A. That's correct.

2 Q. Okay. And who should be named operator

3 under any pooling order?

4 A. Equitable Production Company.

5 Q. And what is the total depth of this proposed

6 well?

7 A. 5520 feet.

8 Q. And the estimated reserves for this unit?

9 A. 500 million cubic feet.

10 Q. And has an AFE been reviewed, signed and

11 submitted to the Board as Exhibit C?

12 A. Yes.

13 Q. And does it, in your opinion, represent a

14 reasonable estimate of the well costs?

15 A. It does.

16 Q. Could you state for the Board what those

17 are?

18 A. The dry hole cost is \$237,016 and the

19 completed well cost is \$382,879.

20 Q. And do these costs anticipate a multiple

21 completion?

22 A. They do.

23 Q. Does your AFE include a reasonable charge

24

1 for supervision?

2 A. Yes, sir.

3 Q. In your professional opinion, would the
4 granting of this application be in the best interest of
5 conservation, the prevention of waste and the protection of
6 correlative rights?

7 A. Yes.

8 JIM KISER: Nothing further of this witness at this
9 time, Mr. Chairman.

10 BILL HARRIS: Thank you. Board members, are there
11 any questions?

12 (No audible response.)

13 BILL HARRIS: Do you have anything further?

14 JIM KISER: Mr. Chairman, we'd ask that this
15 application be approved again with the package of revised
16 exhibits...or approved as submitted with the revised
17 exhibits.

18 BILL HARRIS: Thank you. Any discussion or do we
19 have a motion?

20 JIM McINTYRE: Motion to approve.

21 BILL HARRIS: Okay.

22 PEGGY BARBAR: I second.

23 BILL HARRIS: Thank you. We have a motion and
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1 second to approve the petition. Any further discussion?

2 (No audible response.)

3 BILL HARRIS: All in favor, say aye.

4 (All members signify by saying aye except Donald
5 Ratliff.)

6 BILL HARRIS: Opposed like sign.

7 DONALD RATLIFF: I'll abstain, Mr. Chairman.

8 BILL HARRIS: One abstention. Thank you. Our next
9 item a petition from Equitable Production Company for a well
10 location exception for proposed well V-535655, Ervington
11 District, Dickenson County, Virginia, docket number VGOB-04-
12 10/19-1357. We'd ask all parties who wish to speak on that
13 petition to please come forward.

14 JIM KISER: Again, Mr. Chairman, Jim Kiser and Don
15 Hall on this one. We have a pleasant surprise for you after
16 a long morning. We're going to withdraw this petition. The
17 reciprocal well that we were seeking the exception from has
18 been moved and we no longer require an exception. So we'd
19 ask that this petition be withdrawn.

20 BILL HARRIS: I guess we'll withdraw it then.

21 Okay.

22 JIM KISER: Thank you very much.

23 BILL HARRIS: Thank you.

24

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1 DON HALL: Thank you.

2 BILL HARRIS: Before we leave, we do need to look
3 at the minutes from last month's meeting. Let me give you a
4 few minutes to review that if you haven't done that.

5 (Board members review the minutes.)

6 BILL HARRIS: Do we have a motion concerning the
7 minutes.

8 JIM MCINTYRE: Motion to approve.

9 BILL HARRIS: Okay.

10 PEGGY BARBAR: I second.

11 BILL HARRIS: Okay, any discussion?

12 (No audible response.)

13 BILL HARRIS: Okay, fine. All in favor, say aye.

14 (All members signify by saying yes.)

15 BILL HARRIS: Opposed, like sign.

16 (No audible response.)

17 BILL HARRIS: Fine, thank you. We stand adjourned.

18

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1 STATE OF VIRGINIA,

2 COUNTY OF BUCHANAN, to-wit:

3 I, Michelle Brown, Court Reporter and Notary Public
4 for the State of Virginia, do hereby certify that the
5 foregoing hearing was recorded by me on a tape recording
6 machine and later transcribed under my supervision.

7 Given under my hand and seal on this the 10th day
8 of November, 2004.

9

10 NOTARY PUBLIC

11

12 My commission expires: August 31, 2005.

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